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EQUITY MARKETS

India	Change %			
	1-Nov	1-day	1-mo	3-mo
Sensex	20,356	1.6	(0.4)	12.6
Nifty	6,118	1.7	(0.4)	12.6
Global/Regional indices				
Dow Jones	11,125	0.1	2.7	4.2
Nasdaq Composite	2,505	(0.1)	5.7	9.1
FTSE	5,695	0.3	1.8	5.5
Nikkie	9,152	(0.0)	(2.7)	(4.4)
Hang Seng	23,608	(0.2)	5.6	10.3
KOSPI	1,914	(0.1)	2.0	7.4
Value traded – India				
Cash (NSE+BSE)	165		221	205
Derivatives (NSE)	923		1,182	684
Deri. open interest	1,423		1,425	1,211

Forex/money market

	Change, basis points			
	1-Nov	1-day	1-mo	3-mo
Rs/US\$	44.5	0	(11)	(154)
10yr govt bond, %	8.1	-	23	31
Net investment (US\$m)				
	29-Oct		MTD	CYTD
FIs	216		-	24,832
MFs	4		-	(282)

Top movers -3mo basis

Best performers	Change, %			
	1-Nov	1-day	1-mo	3-mo
IDBI IN Equity	181.5	0.5	14.5	50.8
IBULL IN Equity	231.7	5.0	60.1	44.8
TTMT IN Equity	1170.6	1.0	5.1	38.1
BOB IN Equity	1020.0	0.6	15.0	33.6
RBXY IN Equity	602.3	3.9	6.0	32.8
Worst performers				
MMTC IN Equity	1297.3	0.4	(3.9)	(21.6)
FTECH IN Equity	999.6	1.8	(15.8)	(19.2)
IVRC IN Equity	153.3	2.6	(6.0)	(14.6)
EDSL IN Equity	547.5	(0.5)	(10.6)	(11.8)
ABAN IN Equity	796.1	1.2	(6.7)	(9.5)

NOVEMBER 02, 2010

NEW RELEASE

BSE-30: 20,356

RBI Credit Policy Decision Preview: 25+25 bps hike on the cards. The market appears divided on the RBI policy between a pause and a hike, but we are inclined to a 25 bps increase in both the Repo and the Reverse Repo rates on the back of continuing concerns over inflation. Growth does not immediately appear as a concern as demand drivers of the economy seem to be intact.

Inflation continues to be sticky; core inflation still around 5%

Headline WPI inflation at 8.62% in September has remained high and sticky. While it started with food prices escalating following a failed monsoon, there is now evidence of more generalized price pressures emerging in the economy. Core inflation (manufactured inflation ex-food prices) has continued to hover at around 5%. Structural factors on the food side along with likely further hardening of global commodity prices post QE2 announcement of Fed might also limit the extent of correction in domestic prices.

Growth is still not a major concern as domestic demand drivers remain strong

The latest IIP growth reading suggests a sharp slowing in industrial production. However, IIP data releases continue to be clouded by volatility of capital goods production and makes decision making on the back of this parameter difficult. IIP ex-capital goods growth was at 6.8% in August, indicating only a moderation in the production. Further, we believe that rural growth should also pick up on the back of higher agricultural income. Domestic demand also remains strong as evident from the high level of imports. Overall, the growth picture does not seem to be a matter of concern from a policy-making perspective.

We expect a 25 bps hike in Repo rate and Reverse Repo rate; inflation the main concern

We continue to position ourselves for a hike of 25 bps in both repo rate and reverse repo rate. We believe that the RBI should be more focused on the inflationary pressures in the economy. The same has been hinted at in the last policy decision communiqué. Real interest rates continue to be negative, acting as a distortion to asset allocation and a disincentive to savings in the economy. Also, we believe that a pause now can cause a disruption in the policy transmission that is underway. We also think that a further 25 bps hike cannot be ruled out in the December meeting but much of the policy path will depend on how the inflation trajectory pans out.

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RESULT

Coverage view: **Attractive**

Price (Rs): **123**

Target price (Rs): **140**

BSE-30: **20,356**

Sedate results continue. Punj Lloyd reported a 31% decline in consolidated revenues to Rs19.9 bn, 10% below our estimates. Libyan orders started execution contributing to about 8.5% of the 2Q revenues. EBITDA margin expanded by about 180 bps yoy likely led by absence of any one-off costs in the quarter. Despite the revenue disappointment the company met our PAT-level estimate led by lower tax expense. Moderate inflows of Rs10 bn; backlog remains flat on a sequential basis. Reiterate REDUCE.

Company data and valuation summary

Punj Lloyd

Stock data

52-week range (Rs) (high,low) 226-105

Market Cap. (Rs bn) 41.5

Shareholding pattern (%)

Promoters 37.3

FIs 12.4

MFs 12.6

Price performance (%)

Absolute 1M 3M 12M (6.8) (3.2) (39.4)

Rel. to BSE-30 (6.4) (15.1) (52.7)

Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	(12.9)	9.8	12.0
EPS growth (%)	79.2	(175.4)	22.4
P/E (X)	(9.5)	12.6	10.2
Sales (Rs bn)	105.4	116.2	130.2
Net profits (Rs bn)	(4.4)	3.3	4.1
EBITDA (Rs bn)	2.2	10.7	12.0
EV/EBITDA (X)	35.3	6.9	6.3
ROE (%)	(15.8)	10.3	11.4
Div. Yield (%)	(0.1)	0.3	0.9

Sedate results - PAT broadly inline; EBITDA margin improvement likely led by absence of one-offs

- ▶ **Disappointing revenues at consolidated and standalone level:** Punj Lloyd reported disappointing revenues of Rs19.9 bn in 2QFY11, about 10% below our estimates and down 31% on a yoy basis. The company reported start of execution of the Libyan orders which contributed to about 9% of the quarter's revenues. Even at the standalone level the company has recorded a 43% yoy decline in revenues and 5.6% decline on a sequential basis.
- ▶ **Margin improvement likely led by absence of one-offs:** Punj Lloyd reported a 180 bps yoy increase in consolidated EBITDA margin to 9.2%, likely led by absence of one-off costs (reflected in lower raw material costs as a percentage of sales).
- ▶ **Net PAT at Rs215 mn - broadly inline:** Despite the miss at the revenue level, the company reported a net PAT of Rs215 mn, broadly inline with our estimate primarily due to lower tax rate in the quarter. Effective tax rate in 2QFY11 was at 18%.

Relatively sedate order inflow; backlog remains flat on a sequential basis

Punj Lloyd reported sedate inflows of Rs10.3 bn, down 29% yoy and 69% on a sequential basis. Sedate inflows led to a 1HFY11-end backlog of Rs255 bn relatively flat on a sequential basis. The backlog continues to be dominated by the infrastructure segment - contributing to 71% of total.

Lower working capital on back of higher liabilities leads to increase in net cash position

Punj Lloyd reported a Rs5.8 bn decline in net working capital level primarily led by higher current liabilities. The working capital reduction led to an increase in the cash balance by Rs5.7 bn leading to an improved net debt to equity ratio of 1X versus about 1.25X at end-FY2010.

Retain estimates; reiterate REDUCE with a target price of Rs140/share

Retain estimates of Rs9.8 and Rs12 for FY2011E and FY2012E respectively and TP of Rs140. Reiterate REDUCE rating on (1) slower-than-expected pick up in execution of Libyan orders, (2) high debt levels and (3) potential for further one-off losses in certain orders.

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Sedate results - broadly inline at PAT level

Punj Lloyd reported 2QFY11 consolidated revenues of Rs19.9 bn, down 31% on a yoy basis and about 10% below our estimate of Rs22 bn. EBITDA margin at 9.2% was marginally above our estimate of 9%. The margins were up 180 bps yoy primarily led by lower raw material costs as a percentage of sales which declined by about 10 percentage points yoy from 66.2% in 2QFY10 to 55.9% in 2QFY11. This is likely to have been led by absence of one-off costs in this quarter. The improvement in raw material costs was partially offset by higher employee and other expenses as a percentage of sales likely due to negative operating leverage of the lower sales in 2QFY11. Despite the miss at the revenue level, the company reported a net PAT of Rs215 mn, broadly inline with our estimate primarily due to lower tax rate in the quarter. Effective tax rate in 2QFY11 was at 18%.

For the half year ending September 30, 2010, Punj Lloyd reported consolidated revenues of Rs37.2 bn, down 36% yoy., EBITDA margin was slightly lower on a yoy basis at 8.4% (down 40 bps) versus 8.9% in 1HFY10. The company reported a net loss of Rs89 mn for 1HFY11 versus a net profit of Rs1.8 bn in 1HFY10.

Punj Lloyd (consolidated) - 2QFY11 - key numbers (Rs mn)

	2QFY11	2QFY11E	2QFY10	1QFY11	% change			1HFY11	1HFY10	% change
					vs est.	yoy	qoq			
Net Sales	19,876	22,078	28,717	17,339	(10.0)	(30.8)	14.6	37,214	58,444	(36.3)
Expenditure	(18,043)	(20,091)	(26,596)	(15,998)	(10.2)	(32.2)	12.8	(34,041)	(53,230)	(36.0)
Material	(11,118)		(19,007)	(9,005)		(41.5)	23.5	(20,123)	(37,313)	(46.1)
Staff cost	(2,917)		(3,133)	(2,876)		(6.9)	1.4	(5,793)	(6,371)	(9.1)
Other expenditure	(4,008)		(4,456)	(4,117)		(10.1)	(2.7)	(8,125)	(9,546)	(14.9)
EBITDA	1,832	1,987	2,120	1,341	(7.8)	(13.6)	NA	3,174	5,214	(39.1)
Other Income	32	50	5	41	(35.8)	529.4	NA	73	68	7.4
Interest	(924)	(1,095)	(796)	(810)	(15.6)	16.1	14.0	(1,734)	(1,539)	12.6
Depreciation	(679)	(625)	(514)	(640)	8.6	32.1	5.9	(1,319)	(1,055)	25.0
Profit before Tax	262	317	816	(69)	(17.4)	(67.9)	NA	193	2,688	(92.8)
Tax	(47)	(105)	(301)	(235)	(54.8)	(84.3)		(283)	(923)	(69.4)
Profit after Tax	215	213	515	(304)	1.0	(58.3)	NA	(89)	1,765	(105.1)
MI & exceptional	—	—	14	(2)				(2)	14	(113.0)
Net Profit	215	213	528	(306)				(91)	1,779	(105.1)
Key ratios (%)										
Material costs/ Sales	55.9		66.2	51.9				54.1	63.8	
Staff cost/ Sales	14.7		10.9	16.6				15.6	10.9	
Other expense/ Sales	20.2		15.5	23.7				21.8	16.3	
EBITDA margin	9.2	9.0	7.4	7.7				8.5	8.9	
PBT margin	1.3	1.4	2.8	(0.4)				0.5	4.6	
PAT margin	1.1	1.0	1.8	(1.8)				(0.2)	3.0	
Effective tax rate	18.1	33.0	36.9	(342.6)				146.1	NA	
Order details										
Order backlog	251,702		268,075	255,565		(6.1)	(1.5)	251,702	268,075	(6.1)
Order booking	10,290		14,540	32,840		(29.2)	(68.7)	43,130	114,000	(62.2)

Source: Company, Kotak Institutional Equities estimates

Standalone also reported weak results with low execution

Even at the standalone level the company has recorded a 43% yoy decline in revenues and 5.6% decline on a sequential basis. EBITDA margin for the quarter was at 11.3%, up by 290 bps yoy from 8.4% in 2QFY10 led by significantly lower raw material expenses as percentage of sales. The sedate revenues led to a net PAT of only Rs13 mn in 2QFY11 versus a profit of Rs419 mn in 2QFY10.

Punj Lloyd (standalone) - 2QFY11 - key numbers (Rs mn)

	2QFY11	2QFY10	1QFY11	% change		1HFY11	1HFY10	% change
				yoy	qoq			
Net Sales	10,525	18,557	11,155	(43.3)	(5.6)	21,680	37,803	(42.6)
Expenditure	(9,333)	(16,999)	(10,262)	(45.1)	(9.1)	(19,594)	(34,351)	(43.0)
Material + contractor	(5,023)	(12,400)	(5,945)	(59.5)	(15.5)	(10,968)	(23,843)	(54.0)
Staff cost	(1,450)	(1,711)	(1,634)	(15.3)	(11.3)	(3,084)	(3,369)	(8.4)
Other expenditure	(2,859)	(2,888)	(2,683)	(1.0)	6.6	(5,542)	(7,140)	(22.4)
EBITDA	1,193	1,558	894	(23.5)	NA	2,086	3,452	(39.6)
Other Income	27	60	46	(54.3)	(40.7)	74	138	(46.6)
PBIDT	1,220	1,618	940	(24.6)	NA	2,160	3,590	(39.8)
Interest	(786)	(710)	(702)	10.8	12.0	(1,489)	(1,352)	10.1
Depreciation	(392)	(334)	(377)	17.5	4.1	(769)	(654)	17.6
Profit before Tax	42	575	(139)	(92.8)	NA	(97)	1,584	(106.1)
Tax	(29)	(156)	(46)	(81.4)	(37.0)	(75)	(478)	(84.3)
Profit after Tax	13	419	(185)	(97.0)	NA	(172)	1,106	(115.6)
Exceptional items	-	-	-	-	-	-	-	-
Net Profit	13	419	(185)			(172)	1,106	(115.6)
Key ratios (%)								
Material/ Sales	47.7	66.8	53.3			50.6	63.1	
Staff cost/ Sales	13.8	9.2	14.7			14.2	8.9	
Other expense/ Sales	27.2	15.6	24.0			25.6	18.9	
EBITDA margin	11.3	8.4	8.0			9.6	9.1	
PBT margin	0.4	3.1	(1.2)			(0.4)	4.2	
PAT margin	0.1	2.3	(1.7)			(0.8)	2.9	
Effective tax rate	69.9	27.1	(33.1)			(77.0)	30.2	

Source: Company, Kotak Institutional Equities

Execution expertise appears to lag aspirations for regional/sector diversification

The management has highlighted its aspirations for further regional and sector diversification, such as taking up projects in Caspian region and bidding for large infrastructure projects. We are concerned that the company may find itself stretched, especially if it takes significant exposure to Caspian region, and could potentially face execution challenges as already seen in UK and Libya.

Starts execution in Libya; contributed to about 9% of total revenues

The company has finally started recognizing revenues in its Libya orders. Execution of these orders contributed about Rs1.7 bn of the total revenues of Rs19.9 bn in the quarter - 8.5% of the revenues. Libyan government projects, which potentially form about 35-40% of the backlog, are facing significant delays in execution owing to – (1) ongoing design and engineering stage work, (2) changes in architects for some projects, and (3) ownership change in various contracts among government entities.

Order inflows moderate in 2QFY11; backlog remain flat on a sequential basis

Punj Lloyd reported moderate inflows of Rs10.3 bn, down 29% yoy and 69% on a sequential basis. This is versus an average quarterly order inflow of about Rs43-45 bn witnessed in FY2010. The moderation in inflows during the quarter has led to relatively flat order backlog on a sequential basis of Rs255 bn. The key orders won during the quarter include (1) Rs5.4 bn order from GAIL for gas pipe laying and terminal work from Dabhol to Bangalore pipeline project and (2) Rs6.1 bn order from Public Utilities Board (PUB), Singapore for the construction of waterworks and ancillary facilities.

Key orders won by Punj Lloyd in FY2011 so far

Date	Segment	Client	Value (Rs mn)	Description
Oct-10	Oil and Gas	GAIL	5,390	Laying of 820 km pipeline from Dabhol to Bidadi
Oct-10	Infrastructure	PUB, National Water agency of Singapore	6,140	Construction of new 60 mn gallons of water waterworks
Sep-10	Oil and Gas	Saudi Aramco		EPC for offsite pipelines for Yanbu export refinery project
Jun-10	Infrastructure	Sentosa Pte Ltd, Singapore	13,944	Hotel, Spa, Beach Villas, Oceanarium and Water Theme Park
Jun-10	Infrastructure	Rajiv Gandhi Institute of Petroleum Tech.	1,799	Construct a technical institute at Rae Bareli, UP
Jun-10	Process	Hyundai Engineering & Construction Co. Ltd	960	5 Utilities & Offsites Project
May-10	Process	Abu Dhabi Gas Development Company Ltd	20,560	Gas gathering package for Shah Gas Development project
Apr-10	Infrastructure	Ministry of Health & Family Welfare	1,152	Medical College and Hostel Complex at AIIMS, Raipur
Apr-10	Process	Nagarjuna Oil Corporation Ltd	3,200	Installation of ISBL units and Pipe Rack at Cuddalore Refinery
Apr-10	Infrastructure	Public Health Engg Dept, Bihar	2,328	EPC of 850 solar-powered water treatment plants
Apr-10	Process	MRPL, Engineers India Ltd	2,350	Structural and erection for process unit and offsite facility
Total orders announced in FY2011 so far			57,823	

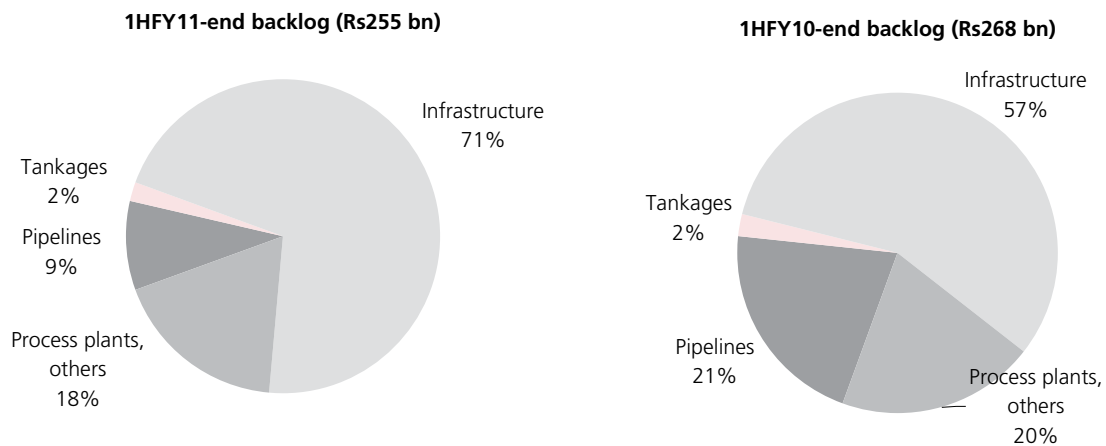
Source: Company

Further concentration in infrastructure sector in the backlog

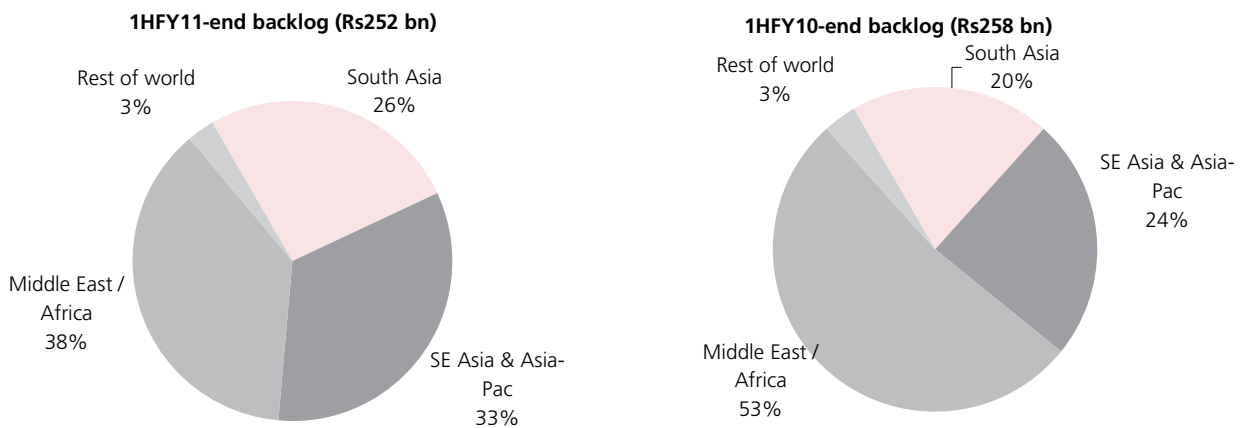
The infrastructure segment continues to dominate the order backlog, contributing to 71% of the total 1HFY11-end backlog of Rs255 bn. This is versus 57% in 1HFY10. The other key segments contributing to the backlog include process segment (18% of backlog) and pipelines (9% of backlog). African and Middle East geography contributes to a majority of the backlog (38%) primarily led by the large Libyan orders won in FY2009-10 followed by SE-Asia and Asia-Pac geographies which contribute to about 33% of the total backlog.

Sectoral and Geographical mix of Punj-Lloyd's 1HFY11-end backlog

Segmental break up



Geographical break up



Source: Company

Working capital declines on increase in liabilities

Punj Lloyd reported a Rs5.8 bn decline in net working capital level (excluding cash) to Rs37.9 bn at end-1HFY11 versus end-FY2010 level of Rs43.7 bn. This was primarily led by higher current liabilities - up Rs4.6 bn since end-FY2010. Debt levels have remained relatively flat over the past six months while the working capital reduction led to an increase in the cash balance by Rs5.7 bn to Rs11.8 bn. The net debt to equity ratio for the company has improved to 1X versus about 1.25X at end-FY2010.

Punj Lloyd balance sheet, at end-Sept, 2010 (Rs mn)

	Sep-09	Mar-10	Sep-10
Shareholders funds	32,929	30,698	30,920
Share capital	664	664	664
Reserves & surplus	31,919	29,619	29,582
Minority interest	346	415	674
Loan funds	43,747	44,554	44,469
Deferred tax liability	1,520	1,804	1,859
Total sources of funds	78,196	77,057	77,248
Fixed assets	22,244	23,382	23,763
Investments	7,136	3,818	3,730
Cash & bank balances	5,809	6,110	11,849
Current assets	88,012	82,171	80,150
Inventories	48,876	46,496	46,356
Sundry debtors	24,975	21,847	20,205
Loans & advances	13,455	10,417	12,327
Other current assets	706	3,412	1,262
Current liabilities & provisions	45,005	38,424	42,245
Current liabilities	42,744	36,338	40,933
Provisions	2,261	2,087	1,312
Net working capital (excl. cash)	43,007	43,747	37,905
Total application of funds	78,196	77,057	77,248

Source: Company

Consolidated balance sheet, profit model and cash flow statement of Punj Lloyd, March fiscal year-ends, 2007-12E (Rs mn)

	2007	2008	2009	2010	2011E	2012E
Balance sheet						
Shareholders' funds	12,789	27,433	24,845	30,283	33,409	37,002
Loan Funds	16,992	16,072	35,592	44,554	44,554	44,554
Deffered Tax liability	361	915	1,482	1,804	1,804	1,804
Minority Interest	59	222	420	415	415	415
Total sources of funds	30,201	44,642	62,339	77,057	80,183	83,776
Net block	13,182	16,169	21,653	23,382	23,283	25,455
Investments	1,698	5,458	6,609	3,818	3,824	3,824
Cash and bank balances	10,027	6,898	8,122	6,110	11,079	9,234
Net current assets (excl cash)	5,146	16,053	25,880	43,747	41,996	45,263
Total	30,201	44,642	62,339	77,057	80,183	83,776
Profit model						
Operating Income	51,266	77,529	119,120	104,478	116,012	130,099
Expenditure	(47,522)	(70,608)	(114,716)	(100,833)	(105,281)	(118,065)
EBITDA	3,744	6,922	4,404	3,645	10,731	12,034
Other Income	794	811	899	4,269	937	1,000
PBDIT	4,538	7,732	5,303	7,915	11,668	13,035
Finance charges	692	1,806	3,519	5,435	4,436	4,393
Depreciation	1,062	1,462	1,771	2,270	2,490	2,828
Profit Before Tax	2,784	4,447	(55)	305	4,743	5,814
Tax	690	1,235	2,260	1,372	1,423	1,744
PAT	1,969	3,212	(2,315)	(1,067)	3,320	4,070
Extraordinary items (net of taxes)	—	371	—	—	—	—
Reported PAT	1,969	3,583	(2,315)	(1,067)	3,320	4,070
Cash flow statement						
Operating cashflow before working capital changes	3,602	7,052	3,610	6,960	10,246	11,290
Change in working capital	3,536	(10,907)	(9,828)	(17,867)	1,751	(3,267)
Cashflow from operating activities	7,138	(3,855)	(6,218)	(10,907)	11,996	8,024
Fixed Assets	(7,223)	(4,535)	(7,244)	(4,073)	(2,391)	(5,000)
Investments	(1,283)	(3,759)	(1,151)	2,792	(6)	—
Cash (used) / realised in investing activities	(8,506)	(8,294)	(8,396)	(1,281)	(2,398)	(5,000)
Issue of share capital	(304)	11,203	(166)	6,564	—	0
Borrowings	11,427	(920)	19,520	8,962	—	—
Dividend and Dividend Tax paid	(92)	(142)	(107)	(58)	(194)	(476)
Interest charges	(692)	(1,806)	(3,519)	(5,435)	(4,436)	(4,393)
Cash (used) /realised in financing activities	10,339	8,334	15,729	10,033	(4,630)	(4,869)
Cash generated /utilised	8,972	(3,461)	1,047	(2,060)	4,969	(1,846)
Cash at beginning of year	1,122	10,027	6,898	8,122	6,110	11,079
Cash at end of year	10,094	6,566	7,945	6,062	11,079	9,234
Key ratios (%)						
Net current assets (excl cash) as days of sales	37	76	79	153	132	127
EBITDA margin	7.3	8.9	3.7	3.5	9.3	9.2
PAT margin	3.8	4.1	(1.9)	(1.0)	2.9	3.1
RoE	16.4	16.0	(8.9)	(3.9)	10.4	11.6
RoCE	9.1	9.7	(3.2)	0.5	7.5	8.0
EPS (Rs)	7.5	10.3	(7.4)	(3.1)	9.8	12.0

Source: Company, Kotak Institutional Equities estimates

Sylvania outperforms. Havells' 2QFY11 consolidated EBITDA at Rs1.16 bn (up 41.6% yoy and 0.2% qoq) was in line with our estimates at Rs1.17 bn. The less than estimated performance of the domestic business was mitigated by Sylvania outperforming our estimates. We adjust our estimates to factor in 1H2011 results and change the underlying assumptions of our DCF model. Upgrade to REDUCE with a target price of Rs390 (previously Rs240).

Company data and valuation summary

Havells India

Stock data

52-week range (Rs) (high,low)	447-140
Market Cap. (Rs bn)	24.8

Shareholding pattern (%)

Promoters	60.1
FII's	17.7
MFs	2.7

Price performance (%)

	1M	3M	12M
Absolute	(1.1)	24.9	170.9
Rel. to BSE-30	(0.6)	9.6	111.6

Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	5.6	19.1	26.1
EPS growth (%)	118.6	242.4	36.7
P/E (X)	74.0	21.6	15.8
Sales (Rs bn)	54.3	55.5	59.9
Net profits (Rs bn)	0.7	2.4	3.3
EBITDA (Rs bn)	3.2	4.7	5.5
EV/EBITDA (X)	10.6	7.4	5.8
ROE (%)	13.0	44.8	41.6
Div. Yield (%)	0.4	0.6	0.7

2QFY11- consolidated operating numbers in line; Sylvania outperforms

Havells' reported consolidated EBITDA of Rs1.16 bn (up 41.6% yoy and 0.2% qoq) which was in line with our estimates. The underperformance on the EBITDA front by the standalone (SA) business was balanced by Sylvania delivering better than expected numbers. Sylvania outperformed both on the revenues front (Rs7.06 bn Vs estimates at Rs6.25bn) and the EBITDA margins (4.7% Vs estimates at 4.5%), with Latin America driving strong 15% qoq growth in sales. The key factors which led to the underperformance in the standalone business are:

- ▶ The switchgear business reported lower than estimated sales (Rs1.84bn Vs estimates at Rs1.99bn) and EBIT margins (35% Vs estimates at 37.3%).
- ▶ Electrical consumer durables also missed our revenue estimates (Rs1.03 bn Vs estimates at Rs1.2bn)

The under performance on account of the above was mitigated to an extent by the cables business where the EBIT margins moved up strongly to 9.4% (up 260 bps qoq) Vs our estimates at 7%.

Sylvania- holds the key for further upsides

Sylvania's consistent revenue run rate over the last four quarters lends credence to the management's confidence on maintaining and further improving the operating margins in the future. With no extraordinary expense during the quarter, the company reported PAT of Rs81 mn (other income at Rs76 mn). We note that even after adjusting for the other income, Sylvania managed to break even at the PAT level.

Raising earning estimates and growth assumptions; Upgrade to REDUCE

We are changing the underlying assumptions of our DCF model to reflect the following: (1) Lower WACC at 12% (previously 13%), (2) higher terminal rate of growth at 5% (previously 4%), (3) higher long term growth rates in the domestic business and, (3) higher margins in Sylvania. We upgrade the stock to REDUCE with a target price of Rs390 based on DCF.

REDUCE

NOVEMBER 01, 2010

RESULT

Coverage view: **Attractive**

Price (Rs): **412**

Target price (Rs): **390**

BSE-30: **20,356**

QUICK NUMBERS

- **Consolidated EBITDA up 42% yoy**
- **Sylvania outperforms**

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2QFY11- domestic business disappoints marginally

Havells (SA) reported 2QFY11 EBITDA at Rs838 mn Vs our estimates at Rs881mn. The key reasons for the underperformance are:

- ▶ The switchgear business reported lower than estimated sales (Rs1.84bn Vs estimates at Rs1.99bn) and EBIT margins (35% Vs estimates at 37.3%).
- ▶ Electrical consumer durables also missed our revenue estimates (Rs1.03 bn Vs estimates at Rs1.2bn).

The under performance on account of the above was mitigated to an extent by the cables business where the EBIT margins moved up strongly to 9.4% (up 260 bps qoq) Vs our estimates at 7%. We need to gather further information on the conference call scheduled for tomorrow so as to ascertain the sustainability of these margins. Prima facie, the increase appears to be led by inventory gains on the metals front due to the sharp rally in the non-ferrous metals in 2QFY11.

2QFY11-domestic business disappointed marginally
Havells, interim results (SA), March fiscal year-ends (Rs mn)

	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	2QFY11E	Change (%)			Half year	
								KIE est	yoy	qoq	1H2011	1H2010
Net revenues	5,899	5,980	5,913	7,081	7,177	6,966	7,344	-5.1%	16.5	(2.9)	14,143	11,879
Total expenditure	(5,174)	(5,183)	(5,113)	(6,214)	(6,375)	(6,129)	(6,464)	—	18.2	(3.9)	(12,504)	(10,357)
EBITDA	724	797	801	867	802	838	881	-4.9%	5.1	4.5	1,639	1,521
Margins (%)	12.3	13.3	13.5	12.2	11.2	12.0	12.0	—			23	26
Other income	4	2	1	2	7	1	2	—	(39.1)	(80.3)	9	6
Depreciation	(54)	(55)	(59)	(65)	(68)	(72)	(70)	—	30.8	6.3	(140)	(109)
EBIT	675	744	743	804	741	767	813	-5.7%	3.1	3.5	1,508	1,419
Margins (%)	11.4	12.4	12.6	11.3	10.3	11.0	11.1	—			21	24
Net Interest	(16)	(19)	(13)	(16)	(38)	(13)	(38)	—	(32.6)	(66.4)	(51)	(35)
PBT	658	725	730	787	703	754	775	-2.7%	4.0	7.3	1,457	1,383
Extraordinaries	—	—	—	—	—	—	—	—			-	-
Reported PBT	658	725	730	787	703	754	775	-2.7%	4.0	7.3	1,457	1,383
Tax	(166)	(183)	(141)	(143)	(163)	(175)	(182)	-3.7%	(4.2)	7.3	(339)	(349)
Reported PAT	493	542	589	644	540	579	593	-2.4%	6.7	7.2	1,118	1,035
Segmental												
Revenues												
Switchgear	1,719	1,749	1,690	1,883	1,941	1,843	1,994	-7.6%	5.4	(5.1)	3,784	3,467
Cable and Wires	2,428	2,427	2,485	2,770	2,910	2,910	2,900	0.3%	19.9	(0.0)	5,820	4,855
Lighting and fixtures - India	755	904	937	1,076	1,046	1,110	1,151	-3.5%	22.8	6.1	2,156	1,659
Electrical consumer durables	904	797	702	1,191	1,259	1,036	1,200	-13.7%	29.9	(17.7)	2,295	1,702
Others	93	87	94	161	13	3	100	-97.0%	(96.5)	(77.6)	16	180
Total	5,899	5,964	5,908	7,081	7,170	6,902	7,344	-6.0%	15.7	(3.7)	14,072	11,862
EBIT												
Switchgear	609	654	640	708	723	646	744	-13%	(1.2)	(10.8)	1,369	1,263
Cable and Wires	294	190	213	191	198	273	203	34%	43.4	37.6	471	484
Lighting and fixtures - India	119	192	200	194	166	189	184	3%	(1.6)	13.9	355	311
Electrical consumer durables	217	242	221	339	334	272	312	-13%	12.1	(18.6)	605	459
Others	7	22	23	17	5	1	20	-95%	(94.9)	(77.6)	6	28
Unallocable	(571)	(556)	(554)	(646)	(691)	(613)	(650)	-6%	NM	NM	(1,305)	(1,126)
Total	675	744	743	804	735	767	813	-5.7%	3.1	4.3	1,502	1,419
EBIT (%)												
Switchgear	35.4	37.4	37.9	37.6	37.3	35.0	37.3				36.2	36.4
Cable and Wires	12.1	7.8	8.6	6.9	6.8	9.4	7.0				8.1	10.0
Lighting and fixtures - India	15.8	21.2	21.4	18.0	15.9	17.0	16.0				16.5	18.8
Electrical consumer durables	24.0	30.4	31.4	28.5	26.5	26.2	26.0				26.4	27.0
Others	7.1	24.9	24.5	10.8	36.6	36.7	20.0				36.6	15.7
Total	11.4	12.5	12.6	11.3	10.2	11.1	11.1				10.7	12.0

Source: Company, Kotak Institutional Equities

Sylvania outperforms

Sylvania outperformed both on the revenues front (Rs7.06 bn Vs estimates at Rs6.25bn) and the EBITDA margins (4.7% Vs estimates at 4.5%) with Latin America driving strong 15% qoq growth in sales. Sylvania's consistent revenue run rate over the last four quarters lends credence to the management's confidence on maintaining and further improving the operating margins in the future. With no extraordinary expense during the quarter, the company reported PAT of Rs81 mn (other income at Rs76 mn). We note that even after adjusting for the other income, Sylvania managed to break even at the PAT level.

With the revenues stabilizing, further improvement in EBITDA margins would be the key metric to watch out for, which would drive performance of the stock going forward.

2QFY11-Sylvania outperformed our estimates

Sylvania, interim results (standalone), March fiscal year-ends (Rs mn)

	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	2QFY11E	(% chg.)			Half year	
								KIE est.	yoy	qoq	1H2011	1H2010
Net sales	7,091	7,300	8,022	6,854	6,302	7,061	6,250	13.0	(3.3)	12.0	13,363	14,391
Total expenditure	7,060	7,261	7,810	6,515	6,021	6,727	5,969	12.7	(7.4)	11.7	12,748	14,321
EBITDA	31	39	212	339	281	334	281	18.8	756.4	18.9	615	70
OPM (%)	0.4	0.5	2.6	4.9	4.5	4.7	4.5	—	—	—	9	1
Other income	-	1	84	-	79	76	-	—	—	—	155	1
Interest	(189)	(216)	(249)	(304)	(168)	(132)	(170)	—	(38.9)	(21.4)	(300)	(405)
Depreciation	(161)	(155)	(144)	(131)	(122)	(126)	(125)	—	(18.7)	3.3	(248)	(316)
Pretax profits	(319)	(331)	(97)	(96)	70	152	(14)		756.4	18.9	222	(650)
Extraordinaries	(391)	(432)	(2,243)	(423)	(37)	0	-				(37)	(823)
Tax	(19)	66	(26)	(332)	(57)	(71)	(57)	24.6	-	24.6	(128)	47
Net income	(729)	(697)	(2,366)	(851)	(24)	81	(71)	—	NM	NM	57	(1,426)

Source: Company, Kotak Institutional Equities

Latin America drove the outperformance on the revenues front

Sylvania, geographical break-up, March fiscal year-ends (EUR mn)

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	(% change)	
								yoy	qoq
Europe	77.7	70.6	67.7	77.3	76.8	67.0	65.6	(3.1)	(2.1)
Americas	28.8	24.9	27.9	27.5	29.0	32.7	37.6	34.7	15.0
Asia	3.7	3.6	2.9	2.9	4.0	5.5	5.9	100.7	7.5
Adjustments	(1.8)	(1.6)	(0.5)	(1.3)	(1.4)	(1.3)	0.6		
Total	108.5	97.5	98.0	106.5	108.6	103.9	109.6	0.1	(4.3)

Source: Company, Kotak Institutional Equities

Consolidated numbers in line

Havells, interim results, consolidated, March fiscal year-ends (Rs mn)

	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11
Net revenues	12,990	13,264	13,930	13,921	13,557	14,014
Total expenditure	(12,235)	(12,428)	(12,918)	(12,934)	(12,396)	(12,851)
EBITDA	755	836	1,013	988	1,161	1,164
Margins (%)	5.8	6.3	7.3	7.1	8.6	8.3
Other income	4	4	85	2	1	130
Depreciation	(215)	(210)	(203)	(197)	(189)	(201)
EBIT	544	629	895	793	973	1,092
Margins (%)	4.2	4.7	6.4	5.7	7.2	7.8
Net Interest	(205)	(235)	(262)	(320)	(206)	(146)
PBT	339	394	633	473	767	946
Extraordinaries	(391)	(432)	(2,243)	(199)	(37)	7
Reported PBT	(52)	(38)	(1,610)	274	730	954
Tax	(185)	(117)	(167)	(472)	(221)	(248)
Reported PAT	(237)	(155)	(1,777)	(198)	510	705

Source: Company, Kotak Institutional Equities

Adjust estimates; upgrade to REDUCE with a DCF based target price of Rs390

We are upgrading our rating to REDUCE (from SELL previously) based on change in the underlying assumptions of our DCF model to reflect: (1) Lower WACC at 12% (previously 13%), (2) higher terminal rate of growth at 5% (previously 4%), (3) higher long term growth rates in the domestic business acknowledging the high growth rates seen in the last three years and strong prospects ahead, (4) higher margins at Sylvania in response to the aggressive cost rationalization carried out last year, and (5) Euro/USD at 1.35 Vs 1.5 earlier and INR/USD at Rs45 Vs Rs46 earlier.

Accordingly, our FY2011E EBITDA moves to Rs4.65 bn from Rs4.76 bn and FY2012E EBITDA moves to Rs5.49 bn from Rs 5.55bn.

Havells, consolidated, change in estimates, March fiscal year-ends (Rs mn)

	New estimates		Old estimates		Change (%)	
	2011E	2012E	2011E	2012E	2011E	2012E
Revenues	55,501	59,944	58,358	62,272	(4.9)	(3.7)
India	29,427	33,678	27,982	30,984	5.2	8.7
Sylvania	26,074	26,266	30,377	31,288	(14.2)	(16.0)
EBITDA	4,656	5,498	4,769	5,551	(2.4)	(1.0)
India	3,417	3,922	3,630	3,908	(5.9)	0.4
Sylvania	1,239	1,576	1,139	1,643	8.7	(4.1)
EBITDA (%)	8.4	9.2	8.2	8.9		
India	11.6	11.6	13.0	12.6		
Sylvania	4.8	6.0	3.8	5.3		
Adjusted PAT	2,377	3,251	1,884	2,898	26.2	12.2
India	2,444	2,811	2,327	2,545	5.1	10.5
Sylvania	(67)	440	(442)	353	NM	NM
EPS (Rs)	19.1	26.1	15.1	23.2	26.2	12.2

Source: Kotak Institutional Equities estimates

We value Havells at Rs390/share

Havells, DCF based valuation, March fiscal year-ends, 2010-2019E (Rs mn)

	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	Terminal value
EBITDA	3,195	4,656	5,498	6,663	6,485	7,250	7,843	8,459	9,125	9,918	
Tax expense	(528)	(695)	(768)	(1,055)	(1,043)	(1,377)	(1,735)	(2,161)	(2,486)	(2,752)	
Changes in working capital	2,543	(2,167)	(276)	(404)	(867)	(1,020)	(396)	(951)	(1,024)	(1,168)	
Cash flow from operations	5,210	1,794	4,455	5,204	4,575	4,852	5,712	5,348	5,615	5,997	
Capital expenditure	(1,444)	(1,320)	(900)	(900)	(800)	(800)	(800)	(800)	(800)	(800)	
Free cash flow to the firm	3,767	474	3,555	4,304	3,775	4,052	4,912	4,548	4,815	5,197	77,961
Discounted cash flow-now	-	452	3,174	3,275	2,565	2,458	2,661	2,199	2,079	2,004	
Discounted cash flow-1 year forward		-	3,174	3,843	2,873	2,753	2,980	2,463	2,329	2,244	
Discounted cash flow-2 year forward			-	4,108	3,371	3,083	3,337	2,759	2,608	2,513	
Discount rate	12.0%										
Growth from 2019 to perpetuity	5.0%										

	+ 1-year	+ 2-years		
Total PV of free cash flow (a)	22,658	40%	21,779	37%
PV of terminal value (b)	33,661	60%	37,700	63%
EV (a) + (b)	56,318		59,479	
Net debt	9,187		9,530	
Equity value	47,131		49,949	
No. of shares	124.8		124.8	
Implied share price (Rs)	378		400	
Exit EV/EBITDA multiple (X)	8.5			
Exit FCF multiple (X)	15.0			

		Sensitivity of share price to WACC and growth rate (Rs)				
		WACC				
		12.0%	12.5%	13.0%	13.5%	14.0%
Growth Rate	2.5%	302	283	267	251	238
	3.0%	314	294	276	259	245
	3.5%	327	305	286	268	252
	4.0%	342	318	297	278	261
	4.5%	359	332	309	289	270
	5.0%	378	349	323	301	281
5.5%	400	367	339	314	293	

Source: Kotak Institutional Equities estimates

Summary financials

Profit model, balance sheet, cash flow (consolidated) for Havells, March fiscal year-ends, 2007-13E

	2007	2008	2009	2010	2011E	2012E	2013E
Profit model							
Total income	15,472	50,022	54,775	54,288	55,501	59,944	65,322
EBITDA	1,458	3,466	2,885	3,195	4,656	5,498	6,663
Interest (expense)/income	(209)	(1,036)	(1,253)	(979)	(810)	(861)	(852)
Depreciation	(97)	(694)	(905)	(837)	(858)	(716)	(704)
Other income	54	250	86	222	223	317	462
Pretax profits	1,205	1,986	814	1,601	3,211	4,239	5,570
Extra-ordinary items	—	—	(1,986)	(2,756)	—	—	—
Reported PBT	1,205	1,986	(1,172)	(1,155)	3,211	4,239	5,570
Tax	(161)	(321)	(435)	(600)	(769)	(874)	(1,210)
Deferred taxation	(23)	(56)	6	(332)	(64)	(114)	(90)
Profit after tax	1,021	1,610	(1,602)	(2,087)	2,377	3,251	4,269
Adjusted PAT	1,021	1,610	297	670	2,377	3,251	4,269
Diluted earnings per share (Rs)	9.5	13.3	2.5	5.6	19.1	26.1	34.2
Balance sheet							
Total equity	2,603	6,901	6,147	4,001	6,014	8,863	12,695
Deferred taxation liability	118	(76)	(97)	266	330	445	534
Total borrowings	561	12,962	12,278	10,666	12,826	10,677	10,337
Current liabilities	2,818	15,142	14,501	15,876	11,179	11,538	12,149
Total liabilities and equity	6,100	34,929	32,829	30,810	30,349	31,523	35,716
Cash	365	2,429	2,473	1,481	3,298	3,690	6,707
Other current assets	3,281	20,800	17,935	16,907	14,194	14,792	15,771
Goodwill	—	3,346	3,579	3,212	3,212	3,212	3,212
Tangible fixed assets	2,423	8,323	8,842	9,210	9,623	9,807	10,003
Investments	32	32	—	—	22	22	22
Total assets	6,100	34,929	32,829	30,810	30,349	31,523	35,716
Free cash flow							
Operating cash flow, excl. working capital	1,156	2,320	(1,054)	(528)	3,077	3,764	4,601
Working capital changes	753	(3,498)	2,168	2,543	(2,167)	(276)	(404)
Capital expenditure	(1,001)	(7,725)	(1,676)	(1,077)	(1,320)	(900)	(900)
Investment changes	—	578	33	—	(22)	—	—
Other income	13	32	18	16	223	317	462
Free cash flow	920	(8,294)	(512)	954	(208)	2,905	3,759
Ratios (%)							
EBITDA margin	9.4	6.9	5.3	5.9	8.4	9.2	10.2
Debt/equity	20.6	189.9	203.0	250.1	202.3	114.8	78.2
Net debt/equity	7.2	154.3	162.1	215.4	150.3	75.1	27.5
RoAE	44.6	33.7	4.6	13.0	44.8	41.6	37.9
RoACE	38.4	21.3	10.4	6.5	17.4	20.0	22.6

Source: Kotak Institutional Equities

NOVEMBER 01, 2010

RESULT

Coverage view: **Attractive**

Price (Rs): **182**

Target price (Rs): **210**

BSE-30: **20,356**

Weak quarter marked by poor EBITDA margin. PAT at Rs283 mn was 8% lower than our est. due to (1) lower sales, 17% lower than our est. and (2) poor margin at 17%, lowest in last six quarters. We estimate sales growth of 7% in FY2011E, lower than revised management guidance of 10% (was 15%). We lower our FY2011-12E est. by 10-12% due to (1) lack of evidence of a pick-up in base business and (2) conservative estimates on new businesses like Unit 9, China. At 9X FY2012E earnings, we retain rating at ADD with PT of Rs210 (10X FY2012E est. earnings).

Company data and valuation summary

Dishman Pharma & chemicals

Stock data

52-week range (Rs) (high,low) 275-173

Market Cap. (Rs bn) 14.8

Shareholding pattern (%)

Promoters 60.9

FII's 8.7

MFs 12.0

Price performance (%)

Absolute (4.6) (17.0) (22.3)

Rel. to BSE-30 (4.2) (27.2) (39.4)

Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	14.4	15.8	20.7
EPS growth (%)	(19.7)	9.7	30.7
P/E (X)	12.6	11.5	8.8
Sales (Rs bn)	9.2	9.8	12.1
Net profits (Rs bn)	1.2	1.3	1.7
EBITDA (Rs bn)	2.3	2.6	3.2
EV/EBITDA (X)	9.6	8.5	6.6
ROE (%)	15.5	15.1	17.0
Div. Yield (%)	0.0	0.0	0.0

QUICK NUMBERS

- **Weak quarter with sales 17% lower than our estimate**
- **PAT at Rs283 mn was 8% lower than our estimate**
- **We retain rating at ADD with PT of Rs210 (10X FY2012E est. earnings)**

Weak quarter with sales 17% lower than our estimate

Revenues increased 5% qoq to touch Rs2.1 bn this quarter, 17% lower than our estimate due to miss in CRAMS and MM segment. CRAMS business underperformed due to (1) lower contract research revenues which led to CRAMS from India at Rs657 mn, 12% lower than our est. and (2) lower Carbogen revenues at Rs912 mn, 20% lower than our est.

PAT at Rs283 mn was 8% lower than our estimate

EBITDA was 40% lower than our estimate because of poor margin at 17%, lowest in last six quarters due to (1) adverse product mix with diversion of high-margin contract research capacity towards internal non-billing work, (2) manufacturing of trial batches which added to costs but were not billed and (3) higher staff costs due to increments and hiring. However, gross margin stayed constant qoq at 28% while other expenses increased 22% qoq. Although EBITDA was 40% lower, PAT was 8% lower due to (1) forex gain of Rs200 mn and (2) lower tax rate at 5% versus our est. of 11%.

We lower our FY2011-12E est. by 10-12% for reasons related to base business and new ventures

We estimate sales growth of 7% in FY2011E, lower than revised management guidance of 10% in FY2012E. While DISH has spoken of several new orders in the past, we remain conservative and include (1) US\$6-12 mn supplies from new CVS drug, (2) US\$15 mn from high-potency plant In FY2012E and (3) US\$10 mn from China/Japan in FY2012E. The underlying base business growth excluding new contracts is 4-10% in FY2011-12E.

We retain ADD rating with PT of Rs210 (10X FY2012E est. earnings)

We expect sales growth of 23% and EBITDA margin of 26% in FY2012E on the back of (1) a pick-up in growth of base business and (2) addition of new contracts. At 9X FY2012E earnings, we retain ADD rating with PT of Rs210 (10X FY2012E est. earnings).

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Interim results- Dishman, March fiscal year-ends (Rs mn)

	2QFY11	2QFY11E	2QFY10	1QFY11	% change		
					2QFY11E	2QFY10	1QFY11
Net sales	2,128	2,556	2,174	2,019	(17)	(2)	5
Change in stock	(45)	—	(97)	(62)	NM	NM	NM
Consumption of raw mater	641	716	696	621	(10)	(8)	3
Personnel cost	693	700	674	631	(1)	3	10
Other expenses	469	511	460	384	(8)	2	22
Total Expenditure	1,759	1,927	1,732	1,574	(9)	2	12
EBITDA	369	629	442	445	(41)	(16)	(17)
Other income	203	15	115	104	1253	77	95
Interest	95	100	99	82	(5)	(3)	16
Depreciation	168	200	174	161	(16)	(3)	4
PBT	296	344	276	305	(14)	8	(3)
Tax	14	38	36	34	(64)	(62)	(60)
PAT	283	306	240	271	(8)	18	4

Source: Kotak Institutional Equities estimates, Company

We lower our FY2011-12E est. by 10-12% due to lack of evidence of a pick-up in base business and conservative estimates on new businesses like Unit 9, China

We expect earnings to grow 31% in FY2012E to Rs1.7 bn. We expect EBITDA margin of 26% in FY2012E, driven by (1) operating leverage benefits due to higher sales, (2) Japanese subsidiary turning profitable on account of revenue ramp-up while(3) Chinese facility is expected to break even in FY2012E once revenues ramp up from US\$5 mn guided for by the DISH in FY2011E.

- ▶ DISH grew its base business of CRAMS excluding Solvay, contract research in India at 14% in FY2010. We factor in base business CRAMS India growth of 15-20% in FY2011-12E and expect recovery in 2HFY11E. We believe growth in CRAMS business from India excluding Solvay, contract research will be led by pick-up in base business and addition of new clients.

Revenue break-up (Rs mn)

	FY2009	FY2010	FY2011E	FY2012E	% growth		
					FY2010	FY2011E	FY2012E
CRAMS	7,774	6,629	7,544	9,726	(15)	14	29
Solvay	1,750	1,200	1,600	1,600	(31)	33	0
Contract research	500	670	580	841	34	(13)	45
New contracts from CVS drug			273	534			
Japan				223			
India excl Solvay, research	685	785	905	1,074	14	15	19
CA	4,504	3,685	3,961	4,357	(18)	7	10
UK	334	290	224	207	(13)	(23)	(8)
China	-	-	-	223			
High potency	-	-	-	668			
Marketable Molecules	2,850	2,524	2,252	2,365	(11)	(11)	5
India	1,753	1,241	1,088	1,113	(29)	(12)	2
Netherlands	1,097	1,284	1,163	1,253	17	(9)	8
Total	10,624	9,154	9,795	12,091	(14)	7	23
Total excl new contracts	10,624	9,154	9,523	10,444	(14)	4	10

Source: Kotak Institutional Equities estimates, Company

Takeaways from conference call

- ▶ DISH expects CA to register revenue growth in single digit up to 10% in FY2011E, down from CHF100 mn guidance given earlier which implied 20% sales growth.
- ▶ DISH expects contract research sales to pick up in 2HFY11E, as 40% of capacity was used for internal work which was non-billable in nature.
- ▶ Unit 9 at Bavla has 2 confirmed projects on hand which will start generating revenues in 4QFY11E. It also has four projects under negotiation: 2 with big pharma and 2 with mid-size players with order size of US\$5-10 mn.
- ▶ There has been a change in strategy for China facility which will now be upgraded to high potency plant for category 2-3 level of drugs at nominal cost. Since Carbogen at Switzerland is running at full capacity on the contract manufacturing side and since the Indian facility is a highly-sophisticated facility capable of manufacturing category 4 level drugs, DISH wants to use the Chinese facility to supply category 2-3 level drugs.
- ▶ DISH is also talking to two US majors which have selected it as a preferred partner. These may/may not translate into long-term partnerships.
- ▶ Capex is expected to remain high at Rs1.5 bn in FY2011E. This includes Rs250 mn likely to be spent on Vitamin D3 facility in India which will conduct manufacturing for clients of the Netherlands facility. This is expected to be operational by end-FY2011E.

Even though DISH reported a lower tax rate at 5% versus our est. of 11% tax rate in 2QFY11, tax rate is expected at 11% in FY2011E. However, with EOU benefits expiring in FY2011E, DISH's tax rate will increase to 17% in FY2012E, until SEZ facility is ready.

Profit and loss statement, March fiscal year-ends, 2007-2012E

	2007	2008	2009	2010	2011E	2012E
Net operating revenues	5,786	8,031	10,624	9,154	9,795	12,091
Operating expenses						
Materials	(2,536)	(2,932)	(3,242)	(2,768)	(2,734)	(3,454)
Selling and administration	(690)	(1,385)	(2,003)	(1,757)	(1,980)	(2,418)
Employee cost	(1,409)	(2,154)	(2,730)	(2,541)	(2,850)	(3,023)
R&D		(31)	(35)	(51)	—	—
Total expenditure	(4,634)	(6,502)	(8,009)	(7,116)	(7,563)	(8,895)
EBITDA	1,151	1,529	2,615	2,038	2,232	3,196
Depreciation and amortisation	(263)	(472)	(629)	(594)	(759)	(850)
EBIT	888	1,057	1,985	1,444	1,473	2,346
Net finance cost	(162)	(305)	(459)	(388)	(398)	(410)
Other income	232	477	48	269	347	20
PBT	959	1,228	1,575	1,325	1,422	1,956
Current tax	(11)	(67)	(37)	(150)	(135)	(274)
Deferred tax	(19)	57	(66)	—	—	—
Fringe benefit tax	(2)	(2)	(3)	—	—	—
Reported net profit	927	1,215	1,467	1,176	1,287	1,682
Prior period adjustments	(10)	(18)	(5)	(2)	—	—
Reported net profit after minority interests	917	1,197	1,462	1,174	1,287	1,682

Source: Kotak Institutional Equities estimates, Company

Balance sheet, cash model, March fiscal year-ends, 2007-2012E (Rs mn)

	2007	2008	2009	2010	2011E	2012E
Balance sheet						
Total equity	3,183	5,735	7,143	7,969	9,115	10,655
Total debt	5,609	6,580	7,237	7,739	7,231	6,634
Current liabilities	2,707	2,472	2,284	1,873	2,227	2,652
Deferred tax liabilities	109	149	208	316	316	316
Total equity and liabilities	11,609	14,936	16,872	17,898	18,889	20,257
Cash and cash equivalents	355	371	452	455	150	150
Current assets	5,069	6,216	6,399	5,426	6,037	7,255
Net assets incl intangibles	6,030	8,329	10,008	12,004	12,688	12,838
Investments	155	20	14	14	14	14
Total assets	11,609	14,936	16,872	17,898	18,889	20,257
Free cash flow						
Operating cash flow, excl. working ca	1,346	1,917	2,401	2,044	2,406	2,885
Working capital	(810)	(1,399)	(396)	563	(286)	(794)
Capital expenditure	(4,165)	(2,718)	(2,514)	(2,524)	(1,500)	(1,000)
Investments	18	66	(126)	(230)	—	—
Free cash flow	(3,611)	(2,134)	(635)	(148)	620	1,091

Source: Kotak Institutional Equities estimates, Company

NOVEMBER 1, 2010

UPDATE

BSE-30: 20,356

Cognizant Sep 2010 results – positive read-through for Tier-Is. CTSH's 10% qoq US\$ revenue growth for the Sep 2010 quarter (lower than Infosys and TCS) fell short of the best-in-the-industry expectation from the company. Nevertheless, this is first time since CY2006 that the company has delivered two consecutive quarters of double-digit sequential growth (this time, on a much larger base) – a clear reflection of the strength of the demand environment and CTSH's growth leadership. Positive on Tier-I names.

CTSH 2QCY10 results – strong on all fronts

CTSH delivered another strong quarter of revenue growth, reporting 10% qoq growth in US\$ revenues. More importantly, the company has delivered two consecutive quarters of double-digit US\$ revenue growth (after the 15% sequential growth in June 2010 quarter) – first such instance since CY2006, when the company was roughly 1/3rd of its current size. This is also the first instance (since gaining meaningful sizes) of three of the top-4 offshore IT companies (TCS, Infosys, and CTSH) reporting double-digit qoq revenue growth in the same quarter – indicating the strength of demand environment for the Tier-I Indian IT companies, in no uncertain terms.

On margins, CTSH reported a 60 bps qoq decline in non-GAAP EBIT margin to 19.9%, in line with its target range of 19-20%. Net income growth for the quarter was a strong 18%, aided by forex gains and lower ETR.

Several positive indicators on demand

We highlight some of the key ones

- ▶ Increasingly broad-based growth. Cognizant reported strong growth across verticals and geographies – the slowest growth vertical (Healthcare) grew 7.4% qoq, and the slowest growth geography (Americas) grew 8.9% qoq.
- ▶ Signs of discretionary spend pick-up were visible in the 14.7% sequential growth in application development (AD) revenues. CTSH does not provide a more granular service-line data, but we believe discretionary spends form a bulk of the AD segment.
- ▶ Positive commentary on pricing. CTSH indicated positive response from clients on the pricing front and believes better pricing should start reflecting in results over the coming quarters.
- ▶ Strong hiring momentum sustained with CTSH adding a net ~7,000 people during the quarter to take its total headcount to 95,600 at end-Sep 2010. The company also indicated a record number of promotions - part attrition-driven, but also reflective of the confidence on demand.
- ▶ CTSH indicated positive initial cues on CY2011E budgets from clients.

Sector view – remain positive on demand, wary of margin/attrition pressure

We remain positive on strength and sustainability of demand upturn for the Indian IT services industry. We see sustainable (in the medium-term) demand tailwinds building up in the form of improving pace of decision making, greater conversion of IT budgets into spends, release of pent-up discretionary spend, gains for offshore players in vendor consolidation instances, and improved deal flow across most verticals. However, we remain Cautious on the margin outlook, especially for the mid-sized companies, given that bench and S&M spend correction is still underway.

We would prefer to play the strong demand through the Tier-I names (Infosys and TCS).

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Exhibit 1: Cognizant interim results, December fiscal year-ends, US\$ mn

	3QCY09	2QCY10	3QCY10	% qoq	% yoy
Revenues	853.5	1,105.2	1,216.9	10.1	42.6
Cost of revenues	(475.6)	(641.0)	(699.6)	9.1	47.1
SG&A expenses	(193.8)	(234.5)	(262.6)	12.0	35.5
EBITDA	184.1	229.6	254.7	10.9	38.3
Depreciation and amortization	(22.3)	(23.7)	(26.4)	11.3	18.2
EBIT	161.8	205.9	228.3	10.9	41.1
Other income	1.9	2.1	15.0	615.6	681.3
PBT	163.7	208.0	243.3	17.0	48.6
Provision for taxes	(27.1)	(35.9)	(39.6)	10.3	45.9
PAT	136.6	172.1	203.7	18.3	49.2
Margins (%)					
EBITDA	21.6	20.8	20.9		
EBIT	19.0	18.6	18.8		
Net income	16.0	15.6	16.7		
Tax rate (%)	16.6	17.3	16.3		

Source: Company, Kotak Institutional Equities

Exhibit 2: Cognizant is fast catching up on size with the Tier-I pack
QoQ revenue growth trajectory of Tier-I names

	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10E
Revenues (US\$ mn)											
Infosys	1,156	1,218	1,171	1,122	1,122	1,154	1,232	1,296	1,358	1,496	1,580
Wipro	1,068	1,110	1,100	1,046	1,033	1,065	1,127	1,166	1,204	1,273	1,325
TCS	1,525	1,574	1,483	1,433	1,481	1,538	1,635	1,686	1,794	2,004	2,096
Cognizant	685	735	753	746	777	853	903	960	1,105	1,217	1,270
qoq growth (%)											
Infosys	1.2	5.3	(3.8)	(4.2)	0.0	2.9	6.8	5.2	4.8	10.2	5.6
Wipro	3.5	4.0	(0.9)	(4.9)	(1.3)	3.2	5.8	3.5	3.2	5.7	4.1
TCS	0.5	3.2	(5.8)	(3.4)	3.3	3.8	6.3	3.1	6.4	11.7	4.6
Cognizant	6.6	7.2	2.5	(1.0)	4.1	9.9	5.8	6.3	15.2	10.1	4.4
yoy growth (%)											
Infosys	24.5	19.2	8.0	(1.8)	(2.9)	(5.2)	5.2	15.5	21.0	29.6	28.2
Wipro	37.0	29.4	12.4	1.4	(3.3)	(4.0)	2.4	11.5	16.6	19.5	17.6
TCS	20.3	13.1	(0.4)	(5.5)	(2.9)	(2.3)	10.2	17.7	21.1	30.3	28.2
Cognizant	32.7	31.5	25.5	16.0	13.3	16.2	19.9	28.7	42.3	42.6	40.7
Gap in revenues											
Infosys - Cognizant	470	483	418	376	345	301	329	336	253	279	310
Wipro - Cognizant	382	375	347	300	256	212	224	206	99	56	55

Note:

(a) KIE estimates for Infosys, Wipro and TCS; actual point guidance for Cognizant.

Source: Companies, Kotak Institutional Equities

Exhibit 3: Revenue market share for Top Indian IT companies
Cognizant has garnered a significant incremental market share

	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Revenues (US\$ mn)										
Infosys	1,156	1,218	1,171	1,122	1,122	1,154	1,232	1,296	1,358	1,496
Wipro	1,068	1,110	1,100	1,046	1,033	1,065	1,127	1,166	1,204	1,273
TCS	1,525	1,574	1,483	1,433	1,481	1,538	1,635	1,686	1,794	2,004
HCL Tech	504	505	512	565	607	630	652	685	738	804
Cognizant	685	735	753	746	777	853	903	960	1,105	1,217
Total	4,938	5,141	5,018	4,911	5,019	5,241	5,548	5,793	6,199	6,794
Incremental revenues (US\$ mn)										
Infosys	13	62	(47)	(49)	0	32	78	64	62	138
Wipro	36	42	(10)	(54)	(13)	33	62	39	38	69
TCS	8	49	(91)	(50)	48	57	97	51	108	210
HCL Tech	19	1	7	53	43	23	22	34	52	66
Cognizant	42	49	18	(7)	31	77	49	57	145	112
Total	119	203	(122)	(107)	108	221	307	245	406	595
Market share of incremental revenues (%)										
Infosys	11.2	30.5	NM	NM	0.4	14.5	25.4	26.2	15.3	23.2
Wipro	30.2	20.9	NM	NM	(12.4)	14.7	20.0	16.0	9.3	11.6
TCS	6.9	24.0	NM	NM	44.3	25.7	31.6	20.9	26.6	35.3
HCL Tech	16.0	0.3	NM	NM	39.4	10.3	7.0	13.7	12.9	11.1
Cognizant	35.6	24.3	NM	NM	28.3	34.7	16.0	23.3	35.9	18.8
Market share of total revenues (%)										
Infosys	23.4	23.7	23.3	22.8	22.4	22.0	22.2	22.4	21.9	22.0
Wipro	21.6	21.6	21.9	21.3	20.6	20.3	20.3	20.1	19.4	18.7
TCS	30.9	30.6	29.6	29.2	29.5	29.3	29.5	29.1	28.9	29.5
HCL Tech	10.2	9.8	10.2	11.5	12.1	12.0	11.7	11.8	11.9	11.8
Cognizant	13.9	14.3	15.0	15.2	15.5	16.3	16.3	16.6	17.8	17.9

Note:

(a) HCL revenues include consolidation of Axon from March 2009

Source: Companies, Kotak Institutional Equities

NOVEMBER 02, 2010

UPDATE

BSE-30: 20,356

Festive. Volumes in October were largely in-line with expectations of a strong festival season with the exception of Maruti, which surprised with an 8% upside. Inventory lying in the plant allowed Maruti to ship more than production. While M&M's total sales met expectations, a disappointment on the UV side was offset by outperformance in tractors. Tata Motors sales were flat from September meeting expectations. M&HCV sales declined along expected lines as new emission regulations took effect.

Volumes at Maruti beat our expectations as company shipped more than production

Maruti reported total sales of 118,908 units, 8% better than expectations. The company shipped inventory lying in the plant at the end of September resulting in volumes exceeding the production rate. Domestic sales were 10% higher than expectations and grew 50% yoy and 13% from September. Exports were down 18% yoy and 12% from September. Within segments, the A2 hatchback segment was up 51% yoy and was up 12% sequentially. The A3 sedan segment sales were up 32% yoy. The van segment sales were up 92% yoy. Fiscal year-to-date sales are up 28% yoy compared to the 23% we have modeled for FY2011E.

M&M: tractor outperformance makes up for disappointment in UVs

M&M reported total sales of 56,880, in-line with our estimates. However within segments, UV sales were below expectations at 17,912 units, flat from September and up 37% yoy. At the same time, tractor sales beat expectations handily with volumes hitting 24,281 units, up 29% yoy and 39% from September. 4-wheeler LCV and pickup sales totaled 9,277 units, up 53% yoy and flat sequentially. 3-wheeler sales totaled 5,410 units for October and were up 31% yoy and down 10% from September. Fiscal year-to-date sales are up 25% yoy, in-line with our expectations for FY2011E.

Tata Motors passenger car sales continue to disappoint

Tata Motors reported in-line sales with LCVs beating expectations and making up for weaker passenger car volumes. Total sales of 64,757 units were up 21% yoy and flat from September. Within segments, M&HCV sales came in slightly better than expectations at 15,610 units, up 19% yoy and down 16% from September. LCV volumes were stronger than expected at 24,062 units, up 21% yoy and 13% from September. Passenger car sales disappointed with sales of 21,658 units, up 21% yoy and flat from September. Total sales are up 36% fiscal year-to-date compared to our estimate of 33% growth for the full year.

Hero Honda's volumes saw 17% sequential uptick as company offloaded plant inventory

Hero Honda reported sales of 505,553 units, up 43% yoy and 17% from September. The company could not ship all of its production in September due to floods in North India. The company made this up in October, with the help of increased inventory within the factory. On a fiscal year-to-date basis, sales are up 14% through October compared to the 15% we are modeling for FY2011E, requiring a more manageable residual growth rate of 17% for the rest of the year.

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Monthly sales for October'10

	Oct'10	Oct'10E	Oct-09	yoy %	Sept'10	mom %	YTD %	Growth FY2011E %
Two-wheelers								
Hero Honda	505,553	520,369	354,146	43	433,641	17	14	15
Four-wheelers								
Tata Motors								
M&HCV	15,610	14,790	13,079	19	18,487	(16)	43	20
LCV	24,062	21,297	19,905	21	21,297	13	21	14
UV	3,427	3,337	2,475	38	3,423	0	25	20
Passenger Cars	21,658	24,176	17,945	21	21,461	1	51	68
Total	64,757	63,600	53,404	21	64,668	0	36	33
Mahindra & Mahindra								
UVs	17,912	20,838	13,114	37	17,848	0	11	15
Tractors	24,281	19,754	18,772	29	17,481	39	14	12
LCVs and pickups	9,277	9,755	6,051	53	9,255	0	53	70
3 Wheelers	5,410	6,492	4,130	31	6,005	(10)	38	10
Total	56,880	56,838	42,067	35	50,589	12	25	25
Maruti Udyog								
Domestic	107,555	98,002	71,551	50	95,148	13	31	27
Exports	11,353	12,500	13,864	(18)	12,858	(12)	9	(2)
Total	118,908	110,502	85,415	39	108,006	10	28	23

Source: Kotak Institutional Equities estimates

September 2010: Results calendar

Mon	Tue	Wed	Thu	Fri	Sat
1-Nov	2-Nov	3-Nov	4-Nov	5-Nov	6-Nov
Century Textiles	3I Infotech	Aurobindo Pharma	Engineers India		
Dishman Pharma	Electrosteel Castings	CESC	Jubilant Foodworks		
GMDC	Essel Propack	GAIL	Videocon Industries		
GTL Infra	Fortis Healthcare	GTL			
Havells India	Glaxosmithkline Consumers	McLeod Russel			
Hindustan Motors	Godrej Consumer Products	MTNL			
JSW Energy	Jai Corp	Oriental Bank			
Lupin	Jubilant Foodworks				
Punj Lloyd	Neyveli Lignite				
PVR	Oracle Financial Services				
	Orbit Corp				
	Spicejet				
	TV Today				
8-Nov	9-Nov	10-Nov	11-Nov	12-Nov	13-Nov
Aban Offshore	Divi's Laboratories	Bharti Airtel	Apollo Tyres	HPCL	Indian Oil Corp
Apollo Hospitals	Financial Technologies	BPCL	Lanco Infratech	IL&FS Transportation	IVRCL Infra
IDFC	GMR Infrastructure	Nagarjuna Constructions	MMTC	Oil India	
Jain Irrigation	Hindalco Industries	Power Finance Corp	Ranbaxy Laboratories	Tata Power	
Jindal Saw	Opto Circuits		Shree Cement	Tata Steel	
State Bank of India	Tata Motors				

Source: BSE, Kotak Institutional Equities

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	1-Nov-10		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E
Automobiles																													
Ashok Leyland	76	ADD	101,235	2,276	1,330	2.8	4.9	6.5	84.5	75.1	31.9	27.0	15.4	11.7	15.4	10.5	8.4	2.5	2.2	2.0	2.0	1.3	1.3	10.9	15.4	17.9	85	11.7	8.1
Bajaj Auto	1,531	REDUCE	442,949	9,959	289	58.8	91.0	103.6	160.2	54.6	13.9	26.0	16.8	14.8	16.8	12.0	10.3	15.1	9.1	6.1	0.7	1.3	1.3	70.9	67.4	49.6	1,450	(5.3)	20.5
Bharat Forge	379	ADD	90,544	2,036	239	0.7	12.4	20.3	(92.0)	1,707.0	63.3	550.9	30.5	18.7	27.7	12.6	8.8	2.4	2.3	2.1	—	—	—	0.9	16.2	20.6	400	5.6	4.6
Hero Honda	1,838	REDUCE	367,118	8,254	200	111.8	109.0	126.8	74.1	(2.5)	16.3	16.4	16.9	14.5	10.3	10.7	8.9	10.1	7.2	5.4	1.6	1.6	1.9	59.0	49.9	42.5	1,775	(3.4)	20.0
Mahindra & Mahindra	767	BUY	456,428	10,263	595	33.9	47.2	54.7	125.8	39.2	15.9	22.6	16.3	14.0	14.8	11.7	9.8	5.7	4.4	3.5	1.2	1.2	1.3	30.0	30.7	28.2	805	5.0	27.3
Maruti Suzuki	1,508	REDUCE	435,763	9,798	289	86.4	80.6	93.4	105.0	(6.7)	15.8	17.4	18.7	16.1	9.5	9.8	8.1	3.6	3.1	2.6	0.4	0.4	0.4	23.3	17.8	17.5	1,330	(11.8)	18.5
Tata Motors	1,171	ADD	733,042	16,482	626	27.4	94.8	109.2	(182.5)	246.1	15.2	42.7	12.4	10.7	14.5	7.6	6.6	4.7	3.3	2.5	1.2	0.5	0.5	8.7	11.9	11.1	1,150	(1.8)	99.1
Automobiles																													
Cautious																													
			2,627,080	59,069					276.0	61.2	16.8	25.2	15.6	13.4	13.6	9.5	8.1	5.3	4.0	3.2	1.0	0.9	1.0	20.9	25.9	23.9			
Banks/Financial Institutions																													
Andhra Bank	180	BUY	87,252	1,962	485	21.6	24.0	26.7	60.1	11.5	11.1	8.3	7.5	6.7	—	—	—	2.0	1.7	1.4	2.8	3.1	3.4	26.0	24.1	22.6	210	16.7	7.5
Axis Bank	1,514	ADD	613,272	13,789	405	62.1	78.6	99.9	22.7	26.6	27.2	24.4	19.3	15.2	—	—	—	3.8	3.3	2.8	0.8	1.0	1.3	19.2	18.4	20.2	1,700	12.3	44.7
Bank of Baroda	1,020	BUY	372,820	8,383	366	83.7	103.0	121.2	37.3	23.1	17.7	12.2	9.9	8.4	—	—	—	2.7	2.2	1.8	1.5	1.8	2.1	24.4	24.7	24.0	1,250	22.6	9.6
Bank of India	501	ADD	263,220	5,918	526	33.1	56.3	63.2	(42.1)	70.2	12.2	15.1	8.9	7.9	—	—	—	2.1	1.8	1.5	1.4	2.4	2.7	14.2	21.3	20.4	580	15.9	16.4
Canara Bank	742	ADD	304,241	6,841	410	73.7	90.7	102.8	45.8	23.1	13.4	10.1	8.2	7.2	—	—	—	2.4	1.9	1.6	1.3	1.3	1.6	22.5	22.8	21.4	740	(0.3)	12.8
Corporation Bank	751	ADD	107,736	2,422	143	82.0	86.7	100.7	31.8	5.7	16.2	9.2	8.7	7.5	—	—	—	1.9	1.6	1.4	2.2	2.3	2.7	22.0	19.9	19.9	800	6.5	2.0
Federal Bank	490	ADD	83,840	1,885	171	27.2	34.7	47.2	(7.1)	27.7	35.9	18.0	14.1	10.4	—	—	—	1.8	1.6	1.4	1.0	1.3	1.8	10.3	12.0	14.7	530	8.1	8.1
HDFC	711	REDUCE	1,020,245	22,940	1,436	19.7	24.0	28.1	22.7	21.8	17.2	36.1	29.6	25.3	—	—	—	6.7	5.9	5.2	1.0	1.2	1.4	20.0	21.2	21.9	720	1.3	55.7
HDFC Bank	2,349	REDUCE	1,075,330	24,178	458	64.4	84.9	111.2	22.1	31.8	31.0	36.5	27.7	21.1	—	—	—	5.0	4.4	3.8	0.5	0.7	0.9	16.1	16.9	19.2	2,500	6.4	45.2
ICICI Bank	1,232	ADD	1,417,895	31,881	1,151	36.1	45.0	58.0	6.9	24.6	29.0	34.1	27.4	21.2	—	—	—	2.7	2.6	2.4	0.9	1.1	1.4	8.0	9.7	11.6	1,230	(0.2)	100.9
IDFC	202	ADD	295,170	6,637	1,458	8.4	9.4	11.2	44.9	12.4	18.7	24.1	21.5	18.1	—	—	—	4.2	2.7	2.3	0.7	0.9	1.1	16.6	15.5	14.3	205	1.3	24.3
India Infoline	119	BUY	37,213	837	312	8.1	7.7	9.2	59.2	(5.2)	19.0	14.7	15.5	13.0	—	—	—	2.3	2.0	1.6	2.7	1.4	1.8	16.4	13.8	15.0	150	25.7	6.2
Indian Bank	292	ADD	125,471	2,821	430	35.1	35.7	44.9	25.5	1.6	25.9	8.3	8.2	6.5	—	—	—	1.9	1.6	1.3	2.2	2.2	2.8	24.1	20.5	21.8	350	19.9	5.4
Indian Overseas Bank	162	BUY	88,448	1,989	545	13.0	16.8	24.1	(46.7)	29.8	43.2	12.5	9.6	6.7	—	—	—	1.4	1.2	1.1	2.2	2.4	2.6	9.6	11.6	15.0	200	23.2	5.8
J&K Bank	915	ADD	44,380	998	48	105.7	123.0	143.9	25.0	16.4	17.0	8.7	7.4	6.4	—	—	—	1.5	1.3	1.2	2.4	2.8	3.3	18.2	18.4	18.7	1,000	9.3	3.9
LIC Housing Finance	1,344	REDUCE	127,657	2,870	95	69.7	109.0	119.0	11.5	56.3	9.2	19.3	12.3	11.3	—	—	—	3.9	3.2	2.7	1.1	1.7	1.9	23.6	27.4	24.6	1,325	(1.4)	35.5
Mahindra & Mahindra Financial	755	BUY	72,466	1,629	96	35.9	51.3	60.3	60.0	43.0	17.5	21.0	14.7	12.5	—	—	—	4.3	3.6	3.0	1.0	1.4	1.7	21.5	25.7	25.0	750	(0.6)	5.9
Oriental Bank of Commerce	508	ADD	127,161	2,859	251	45.3	57.8	66.8	25.3	27.6	15.5	11.2	8.8	7.6	—	—	—	1.7	1.5	1.3	1.8	2.3	2.6	14.5	16.5	16.9	450	(11.3)	8.7
PFC	363	SELL	416,927	9,374	1,148	20.5	22.9	27.6	53.5	11.9	20.3	17.7	15.9	13.2	—	—	—	3.2	2.8	2.5	1.4	1.6	1.9	18.8	18.3	19.2	275	(24.3)	3.9
Punjab National Bank	1,311	BUY	413,283	9,292	315	123.9	139.8	165.5	26.4	12.9	18.4	10.6	9.4	7.9	—	—	—	2.5	2.1	1.7	1.7	2.2	2.6	26.2	24.2	23.9	1,500	14.4	9.4
Reliance Capital	823	NR	202,664	4,557	246	12.9	13.7	9.8	(67.3)	6.5	(28.6)	64.0	60.1	84.2	—	—	—	3.0	2.9	2.8	0.7	0.7	0.5	4.7	4.8	3.4	—	—	30.3
Rural Electrification Corp.	367	REDUCE	361,928	8,138	987	20.3	26.5	31.8	23.2	30.8	19.8	18.1	13.8	11.5	—	—	—	3.3	2.8	2.4	1.8	2.2	2.6	22.0	22.0	22.8	350	(4.5)	11.7
Shriram Transport	865	ADD	192,949	4,338	223	39.2	55.4	68.1	30.1	41.4	23.0	22.1	15.6	12.7	—	—	—	5.2	4.4	3.6	1.4	1.9	2.4	28.4	29.1	29.6	850	(1.7)	9.6
SKS Microfinance	1,026	ADD	75,584	1,699	74	26.9	48.9	77.5	61.1	81.3	58.6	38.1	21.0	13.2	—	—	—	8.0	3.7	2.8	—	—	—	21.7	23.9	24.7	1,400	36.5	—
SREI	134	NR	15,536	349	116	8.3	7.9	9.9	17.8	(4.8)	25.8	16.1	16.9	13.5	—	—	—	1.3	1.2	1.1	0.9	0.9	0.9	11.1	10.5	12.3	—	—	6.5
State Bank of India	3,198	BUY	2,030,640	45,658	635	144.4	176.8	209.3	0.5	22.4	18.4	22.2	18.1	15.3	—	—	—	3.1	2.7	2.4	0.9	1.0	1.1	14.8	15.9	16.6	3,400	6.3	130.1
Union Bank	381	BUY	192,500	4,328	505	41.1	42.4	56.1	20.2	3.1	32.6	9.3	9.0	6.8	—	—	—	2.2	1.8	1.5	1.4	1.5	2.0	26.2	22.1	24.1	450	18.1	7.0
Yes Bank	369	BUY	125,456	2,821	340	15.0	21.0	26.6	46.7	40.2	26.6	24.6	17.6	13.9	—	—	—	4.1	3.4	2.8	0.4	0.6	0.7	20.3	21.0	22.0	400	8.3	15.7
Banks/Financial Institutions																													
Attractive																													
			10,291,287	231,395					15.0	23.9	21.0	20.4	16.4	13.6	—	—	—	3.2	2.7	2.4	1.1	1.3	1.5	15.5	16.6	17.4			
Cement																													
ACC	1,014	REDUCE	190,492	4,283	188	83.2	56.4	63.6	47.9	(32.3)	12.9	12.2	18.0	15.9	6.5	8.5	6.8	3.0	2.7	2.4	2.7	2.3	2.3	29.3	17.5	17.6	940	(7.3)	11.4
Ambuja Cements	143	SELL	217,243	4,885	1,522	8.0	8.1	9.0	11.4	1.4	10.6	17.8	17.6	15.9	9.9	9.7	8.1	3.1	2.8	2.5	1.3	1.4	1.5	19.3	17.1	16.8	108	(24.3)	7.4
Grasim Industries	2,322	ADD	212,923	4,787	92	301.0	194.9	238.6	26.1	(35.2)	22.4	7.7	11.9	9.7	4.6	5.7													

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	1-Nov-10		Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target	Upside	ADVT-3mo
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	(mn)	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	(Rs)	(%)	(US\$ mn)
Consumer products																													
Asian Paints	2,705	ADD	259,468	5,834	96	71.5	86.0	102.5	85.3	20.3	19.1	37.8	31.4	26.4	23.4	19.6	16.3	16.2	12.7	10.2	1.0	1.4	1.6	51.8	46.6	44.0	3,000	10.9	8.2
Colgate-Palmolive (India)	883	SELL	120,095	2,700	136	31.1	33.6	38.4	44.2	8.0	14.2	28.4	26.3	23.0	23.3	19.6	16.8	36.8	31.5	27.0	2.3	2.9	3.3	156.1	129.2	126.3	830	(6.0)	3.3
Dabur India	100	ADD	172,254	3,873	1,731	2.9	3.3	4.1	28.1	13.2	25.2	34.3	30.3	24.2	25.9	21.5	17.0	18.2	12.6	9.6	1.0	1.1	1.4	57.4	49.6	45.3	115	15.6	4.5
GlaxoSmithkline Consumer (a)	2,198	ADD	92,436	2,078	42	55.4	68.8	83.9	23.6	24.3	22.0	39.7	32.0	26.2	22.4	19.3	15.4	10.3	8.6	7.1	0.8	1.0	1.2	27.9	29.1	29.6	2,200	0.1	1.0
Godrej Consumer Products	424	BUY	137,235	3,086	324	11.3	14.3	18.9	69.5	25.8	32.6	37.4	29.7	22.4	29.7	21.3	16.1	14.3	7.6	6.8	0.9	0.8	0.8	44.6	33.5	32.1	490	15.5	2.7
Hindustan Unilever	295	SELL	642,616	14,449	2,182	9.4	10.2	12.0	(0.9)	8.4	17.5	31.2	28.8	24.5	21.5	20.6	16.9	24.9	21.5	18.6	2.6	2.8	3.3	71.1	80.2	81.3	250	(15.1)	15.9
ITC	172	ADD	1,314,746	29,561	7,651	5.3	6.5	7.6	22.6	22.0	17.8	32.4	26.5	22.5	19.7	16.7	13.9	8.9	7.4	6.3	2.9	1.6	1.7	29.2	32.0	31.5	180	4.7	28.8
Jubilant Foodworks	535	SELL	34,169	768	64	5.6	10.0	13.1	347.1	78.3	30.4	95.3	53.5	41.0	51.0	30.7	20.6	29.1	18.8	12.9	—	—	—	47.3	42.8	37.4	400	(25.2)	26.0
Jyothy Laboratories	284	ADD	21,766	489	77	11.0	13.6	16.4	99.6	23.3	20.9	25.8	20.9	17.3	20.8	14.1	11.0	5.3	3.6	3.1	1.6	1.3	1.7	16.1	17.6	19.3	300	5.6	0.8
Marico	138	ADD	84,303	1,896	612	4.4	5.2	6.1	32.9	16.9	17.0	31.0	26.5	22.7	21.1	18.4	15.1	12.6	9.2	7.0	0.5	0.7	0.8	48.9	40.6	35.2	140	1.6	2.0
Nestle India (a)	3,550	REDUCE	342,314	7,697	96	74.4	91.0	111.4	27.0	22.3	22.5	47.7	39.0	31.9	31.6	26.4	22.0	58.9	44.4	33.5	1.4	1.7	2.1	136.0	129.8	119.9	3,100	(12.7)	4.2
Tata Global Beverages	125	ADD	77,022	1,732	618	6.1	7.3	8.7	14.5	20.7	19.0	20.6	17.1	14.3	9.9	7.5	6.3	1.6	1.5	1.4	1.6	1.9	2.3	10.2	11.7	12.9	130	4.4	4.9
Consumer products		Cautious	3,298,424	74,164					23.8	18.6	19.2	33.7	28.4	23.8	21.6	18.5	15.3	11.5	9.4	8.0	2.1	1.8	2.0	34.0	33.1	33.5			
Constructions																													
IVRCL	153	BUY	40,933	920	267	7.9	9.1	11.6	(6.7)	15.0	27.9	19.4	16.9	13.2	10.0	9.5	7.5	2.0	1.8	1.6	0.3	0.3	0.3	11.0	11.3	12.9	205	33.7	7.4
Nagarjuna Construction Co.	152	BUY	39,078	879	257	7.1	8.9	11.6	6.1	24.3	31.1	21.3	17.2	13.1	10.8	9.5	7.9	1.7	1.6	1.5	0.9	1.3	1.3	9.3	9.8	11.8	205	34.6	5.0
Punj Lloyd	123	REDUCE	41,616	936	340	(3.4)	9.8	12.0	(52.6)	(385.6)	22.6	(35.8)	12.5	10.2	22.0	7.0	6.4	1.4	1.2	1.1	0.1	0.3	0.9	(4.2)	10.4	11.6	140	14.2	14.3
Sadbhav Engineering	1,441	BUY	21,616	486	15	42.8	61.8	87.2	(16.3)	44.3	41.0	33.6	23.3	16.5	18.5	12.4	9.6	5.3	3.5	2.9	0.2	0.4	0.4	15.8	15.1	17.8	1,750	21.4	0.5
Construction		Attractive	143,242	3,221					56.1	162	28.1	41.9	16.0	12.5	13.9	8.6	7.3	1.9	1.7	1.5	0.4	0.6	0.7	4.4	10.4	11.9			
Energy																													
Aban Offshore	796	ADD	34,636	779	44	94.5	151.1	129.7	(2.5)	59.9	(14.2)	8.4	5.3	6.1	8.3	6.9	6.5	1.6	1.4	1.3	0.5	0.5	0.5	21.7	32.9	21.9	915	14.9	29.6
Bharat Petroleum	755	BUY	272,890	6,136	362	58.6	57.0	65.4	230	(3)	14.8	13	13	11.5	7.1	6.8	6.3	2.0	1.8	1.6	1.9	2.5	2.9	14.9	13.3	13.8	855	13.3	27.3
Cairn India	324	RS	614,335	13,813	1,897	5.5	22.7	40.8	29.0	309.7	79.6	58.4	14.3	7.9	46.0	9.2	5.3	1.8	1.6	1.4	—	—	4.6	3.1	11.8	18.8	—	—	31.2
Castrol India (a)	475	SELL	117,421	2,640	247	15.4	21.0	21.7	45	36	3.5	31	23	21.9	18.3	14.1	13.4	25.5	24.2	23.0	2.6	3.6	3.7	83.8	109.9	107.9	390	(17.9)	2.4
GAIL (India)	492	BUY	624,409	14,040	1,268	24.8	26.8	40.3	11.7	8.2	50.4	19.9	18.4	12.2	11.2	11.1	8.7	3.4	3.0	2.6	1.5	1.7	2.5	17.4	16.6	21.7	550	11.7	17.3
GSPL	115	SELL	64,485	1,450	562	7.3	7.3	8.1	233	(0)	11.4	16	16	14.1	7.9	7.8	6.4	3.8	3.1	2.8	0.9	1.6	2.8	27.1	21.8	20.9	87	(24.1)	7.3
Hindustan Petroleum	496	BUY	167,996	3,777	339	51.6	52.1	58.5	204.2	1.0	12.4	9.6	9.5	8.5	3.4	3.2	2.9	1.3	1.1	1.0	2.4	3.3	3.7	13.1	11.9	12.1	625	26.1	26.8
Indian Oil Corporation	423	ADD	1,026,780	23,087	2,428	49.1	37.9	41.9	399	(23)	10.7	9	11	10.1	6.2	6.3	5.5	1.9	1.7	1.6	3.1	2.7	3.0	22.4	15.3	15.4	480	13.5	13.6
Oil India	1,433	REDUCE	344,451	7,745	240	115.2	131.9	149.0	13.9	14.6	12.9	12.4	10.9	9.6	5.7	4.3	3.7	2.3	2.1	1.8	2.4	3.1	3.6	16.8	17.9	17.9	1,550	8.2	3.4
Oil & Natural Gas Corporation	1,319	BUY	2,821,941	63,450	2,139	90.3	113.9	137.7	(1)	26	20.9	15	12	9.6	5.1	4.4	3.7	2.1	1.9	1.7	2.5	3.0	3.6	14.4	16.4	17.8	1,500	13.7	33.1
Petronet LNG	119	SELL	88,913	1,999	750	5.4	6.9	8.3	(22.0)	28.1	20.2	22.0	17.2	14.3	12.4	10.1	9.0	3.5	3.0	2.6	1.5	1.7	2.3	15.9	17.7	18.2	90	(24.1)	10.2
Reliance Industries	1,093	REDUCE	3,253,363	73,150	2,976	49.6	59.2	72.5	(2)	19	22.4	22	18	15.1	11.0	8.5	6.9	2.2	2.0	1.8	0.6	0.7	0.9	11.4	12.4	13.6	1,050	(4.0)	136.9
Energy		Cautious	9,431,620	212,066					35.6	16.7	23.7	15.8	13.5	10.9	7.7	6.4	5.3	2.2	1.9	1.7	1.6	1.9	2.6	13.7	14.4	15.8			
Industrials																													
ABB	843	REDUCE	178,565	4,015	212	16.7	10.8	31.4	(35.2)	(35.4)	190.2	50.4	78.0	26.9	28.9	41.0	15.5	7.4	6.9	5.7	0.2	0.4	0.4	15.6	9.2	23.2	725	(14.0)	4.0
BGR Energy Systems	764	BUY	55,001	1,237	72	16.0	28.0	41.7	32.2	74.6	49.1	47.7	27.3	18.3	26.8	15.5	11.2	9.8	7.8	5.9	0.4	0.9	1.1	22.3	31.8	36.6	950	24.4	4.7
Bharat Electronics	1,641	REDUCE	131,276	2,952	80	96.1	105.9	120.3	(7.4)	10.2	13.6	17.1	15.5	13.6	7.8	6.8	5.7	2.9	2.6	2.2	1.2	1.5	1.5	17.5	17.7	17.6	1,800	9.7	3.7
Bharat Heavy Electricals	2,465	REDUCE	1,206,789	27,134	490	87.9	115.5	138.6	37.7	31.4	20.0	28.0	21.3	17.8	15.7	12.3	10.0	7.6	6.0	4.8	0.8	1.0	1.2	29.8	31.3	29.9	2,675	8.5	32.8
Crompton Greaves	326	ADD	209,161	4,703	642	12.8	14.5	17.3	46.5	12.9	19.6	25.4	22.5	18.8	14.7	12.7	10.5	8.3	6.3	4.9	0.4	0.6	0.7	37.9	32.0	29.5	340	4.3	8.7
Larsen & Toubro	2,084	ADD	1,255,015	28,218	602	57.9	76.7	90.5	15.6	32.3	18.1	36.0	27.2	23.0	19.8	14.3	12.1	5.6	4.6	3.9	0.6	0.6	0.7	18.6	18.8	18.5	2,200	5.6	51.1
Maharashtra Seamless	422	BUY	29,764	669	71	38.6	44.2	50.9	7.7	14.4	15.1	10.9	9.5	8.3	5.9	4.7	3.7	1.3	1.2	1.1	1.4	1.9	2.4	14.8	12.8	13.4	518	22.7	0.6
Siemens	829	REDUCE	279,421	6,283	337	25.2	27.0	31.9	56.4	7.3	18.0	32.9	30.7	26.0	20.3	18.5	15.4	8.2	6.8	5.7	0.6	0.6	0.8	27.6	24.2	23.8	635	(23.4)	

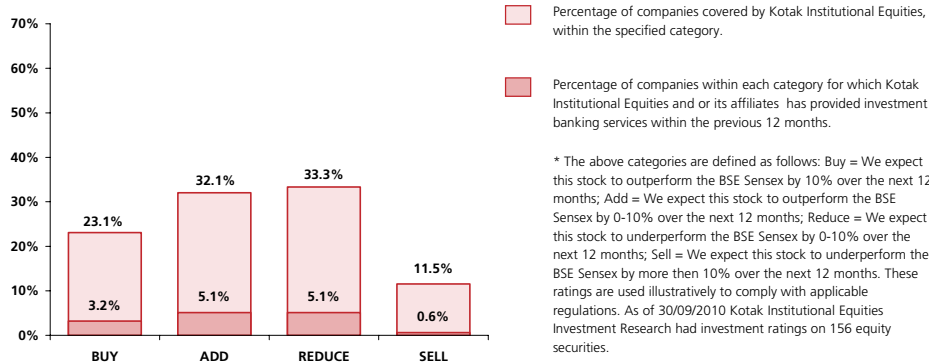
Kotak Institutional Equities: Valuation summary of key Indian companies

Company	1-Nov-10		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price	Upside	ADVT-3mo
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	(Rs)	(%)	(US\$ mn)
Infrastructure																													
Container Corporation	1,318	REDUCE	171,359	3,853	130	61.1	74.3	85.9	0.3	21.7	15.6	21.6	17.7	15.3	15.2	12.4	10.3	3.9	3.4	2.9	1.1	1.3	1.5	19.6	20.6	20.5	1,250	(5.2)	2.4
GMR Infrastructure	54	ADD	197,651	4,444	3,667	0.4	0.2	0.1	(43.8)	(48.9)	(40.0)	125.1	244.8	407.7	22.5	14.5	13.6	1.9	1.6	1.6	—	—	—	2.4	1.2	0.7	65	20.6	6.8
GVK Power & Infrastructure	44	BUY	68,933	1,550	1,579	0.7	0.9	1.1	(3.4)	23.7	25.2	59.2	47.9	38.2	19.7	17.8	18.5	2.2	2.1	2.0	—	0.7	0.7	4.2	4.5	5.4	54	23.7	7.0
IRB Infrastructure	259	RS	86,165	1,937	332	9.7	12.6	12.1	83.8	29.2	(3.7)	26.7	20.6	21.4	12.8	11.4	10.6	3.7	2.9	2.3	—	—	—	15.6	15.7	11.9	—	—	12.2
Mundra Port and SEZ	155	REDUCE	313,108	7,040	2,017	3.3	4.5	7.2	55.7	34.2	61.6	46.5	34.6	21.4	34.8	22.8	15.9	8.8	7.3	5.7	0.5	—	—	20.8	23.1	29.8	150	(3.4)	7.2
Infrastructure		Attractive	837,216	18,824					15.6	21.7	27.7	40.5	33.3	26.1	21.4	15.8	13.6	3.5	3.0	2.7	—	0.3	0.4	8.6	9.0	10.4			
Media																													
DB Corp	278	BUY	50,510	1,136	182	10.6	13.0	15.7	286.5	22.4	21.0	26.2	21.4	17.7	14.6	12.0	9.9	7.8	6.3	5.5	0.7	1.1	1.4	40.3	32.6	33.2	290	4.3	0.6
DishTV	57	REDUCE	60,773	1,366	1,063	(2.5)	(1.9)	0.4	(61.9)	(25.7)	(122.5)	(22.8)	(30.7)	136.4	75.5	28.6	13.1	14.8	28.7	23.7	—	—	—	249.0	(63.6)	19.0	57	(0.3)	4.1
HT Media	163	NR	38,317	862	235	6.1	7.7	9.2	623.3	25.9	19.8	26.7	21.2	17.7	13.4	11.2	9.3	3.9	3.5	3.2	0.6	1.2	2.5	15.6	17.5	18.9	—	—	0.4
Jagran Prakashan	129	BUY	38,758	871	301	5.8	6.8	7.8	92.0	16.9	14.2	22.0	18.8	16.5	13.3	11.0	9.7	6.3	5.7	5.3	2.7	3.1	3.9	30.0	31.9	33.2	150	16.6	1.8
Sun TV Network	502	REDUCE	197,927	4,450	394	13.1	18.3	22.7	44.0	39.7	24.1	38.4	27.5	22.2	21.8	15.9	13.0	10.2	8.6	7.2	1.5	1.5	2.0	28.3	34.2	35.5	450	(10.4)	3.5
Zee Entertainment Enterprises	284	REDUCE	123,628	2,780	435	10.7	10.8	13.5	26.6	0.7	25.4	26.6	26.4	21.1	19.6	13.0	3.2	2.9	2.8	0.9	1.0	1.2	12.9	11.8	13.9	270	(5.1)	15.7	
Media		Neutral	509,913	11,465					185.9	32.6	40.2	41.9	31.6	22.5	20.2	15.6	12.0	6.0	5.5	5.0	1.1	1.3	1.7	14.4	17.3	22.1			
Metals																													
Hindalco Industries	213	ADD	407,586	9,164	1,914	20.0	14.5	16.3	25.0	(27.4)	12.7	10.7	14.7	13.0	6.1	8.3	8.5	1.9	1.7	1.5	0.6	0.6	0.6	20.4	12.2	12.3	225	5.7	33.5
Hindustan Zinc	1,265	BUY	534,524	12,019	423	95.6	95.4	116.4	48.2	(0.2)	22.0	13.2	13.3	10.9	8.9	7.9	5.4	2.8	2.4	1.9	0.5	0.5	0.5	25.1	20.2	20.4	1,430	13.0	4.9
Jindal Steel and Power	706	REDUCE	657,218	14,777	931	38.2	45.7	56.2	16.9	19.4	23.1	18.5	15.5	12.6	12.7	10.4	7.7	5.8	3.9	3.0	0.2	0.3	0.3	37.7	30.3	26.8	625	(11.4)	22.6
JSW Steel	1,344	REDUCE	333,593	7,501	248	80.4	73.6	108.0	481.1	(8.5)	46.8	16.7	18.3	12.4	11.8	10.1	6.9	3.0	1.9	1.4	0.5	0.7	0.7	16.0	12.6	13.0	1,115	(17.0)	35.7
National Aluminium Co.	406	SELL	261,300	5,875	644	12.2	17.0	19.1	(37.2)	39.6	12.2	33.3	23.9	21.3	15.5	11.1	9.6	2.5	2.4	2.2	0.6	1.2	1.2	7.8	10.2	10.6	285	(29.7)	1.7
Sesa Goa	328	REDUCE	291,867	6,562	890	29.6	52.5	54.0	23.5	77.6	2.8	11.1	6.3	6.1	9.1	4.0	5.8	3.6	2.4	1.7	1.1	1.1	1.1	35.8	34.9	31.5	320	(2.5)	42.9
Sterlite Industries	171	BUY	574,339	12,914	3,362	12.0	13.7	18.3	2.8	13.9	33.5	14.2	12.5	9.4	9.1	7.5	4.7	1.6	1.4	1.2	0.5	0.5	0.5	12.9	11.8	13.9	200	17.1	34.8
Tata Steel	592	REDUCE	541,239	12,170	914	(3.6)	66.5	70.0	(103.6)	(1,968.8)	5.2	(166.3)	8.9	8.5	11.0	5.9	5.6	2.4	1.7	1.5	1.3	1.4	—	(1.5)	22.4	18.8	650	9.8	109.7
Metals		Cautious	3,601,667	80,982					(19.9)	45.5	40.2	17.9	13.3	10.4	9.7	7.5	6.3	2.6	2.0	1.7	0.6	0.7	0.5	14.3	16.5	16.2			
Pharmaceutical																													
Apollo Hospitals	523	BUY	67,288	1,513	129	10.9	14.1	17.8	28.8	28.4	26.5	47.7	37.2	29.4	23.0	16.8	14.1	4.0	3.8	3.3	—	—	—	8.3	9.8	11.4	520	(0.5)	2.0
Biocon	429	ADD	85,720	1,927	200	14.8	17.0	24.4	216.4	14.7	43.6	28.9	25.2	17.5	16.7	14.3	11.1	4.8	4.2	3.5	—	—	—	17.9	18.1	22.2	470	9.7	11.8
Cipla	357	REDUCE	286,322	6,438	803	13.7	14.0	16.6	38.1	1.9	19.2	26.0	25.5	21.4	18.7	17.2	14.6	4.8	4.2	3.6	0.6	0.7	0.7	21.1	17.6	18.2	295	(17.3)	13.3
Cadila Healthcare	714	REDUCE	146,139	3,286	205	24.7	33.9	39.3	66.9	37.2	16.1	28.9	21.1	18.1	18.7	14.3	12.3	9.0	6.7	5.2	0.7	0.9	1.1	36.0	36.4	32.3	600	(15.9)	1.9
Dishman Pharma & chemicals	182	ADD	14,827	333	81	14.4	15.8	20.7	(19.7)	9.7	30.7	12.6	11.5	8.8	9.6	8.5	6.6	1.9	1.6	1.4	—	—	—	15.5	15.1	17.0	210	15.2	0.9
Dwi's Laboratories	699	REDUCE	91,344	2,054	131	26.1	34.0	44.9	(18.2)	30.4	32.1	26.8	20.6	15.6	19.8	15.1	10.9	6.0	5.0	4.0	—	—	—	24.7	26.4	28.5	800	14.4	3.0
Dr Reddy's Laboratories	1,679	REDUCE	285,177	6,412	170	48.0	68.4	72.2	48.1	42.6	5.5	35.0	24.5	23.3	19.3	14.0	13.1	7.6	5.9	4.9	0.7	0.5	0.5	22.2	27.0	22.9	1,150	(31.5)	14.7
GlaxoSmithkline Pharmaceuticals (a)	2,199	REDUCE	186,266	4,188	85	59.1	70.2	79.6	8.1	18.7	13.5	37.2	31.3	27.6	21.5	18.2	15.7	10.4	8.9	7.6	—	—	—	29.8	30.7	29.7	2,000	(9.1)	1.9
Glenmark Pharmaceuticals	350	NR	95,943	2,157	274	12.7	19.2	20.3	14.7	50.6	5.6	27.5	18.2	17.3	17.0	11.1	10.7	4.1	3.4	2.9	—	—	—	16.7	19.9	17.6	—	—	6.9
Jubilant Organosys	312	BUY	49,521	1,113	159	26.5	31.8	38.9	49.0	19.8	22.4	11.8	9.8	8.0	8.9	8.0	6.4	2.2	1.8	1.5	0.6	0.8	1.0	26.3	21.7	21.1	400	28.3	1.7
Lupin	445	ADD	196,622	4,421	442	15.4	19.8	25.5	27.9	28.7	28.7	28.8	22.4	17.4	24.4	17.7	14.0	8.5	8.0	7.0	2.9	3.3	3.5	36.6	37.2	43.6	400	(10.0)	8.5
Piramal Healthcare	479	REDUCE	100,107	2,251	209	22.4	4.1	8.8	29.7	(81.7)	113.0	21.4	116.5	54.7	15.6	(8.8)	(10.8)	5.9	0.7	0.6	1.1	1.3	0.7	30.7	159.4	11.4	490	2.3	30.3
Ranbaxy Laboratories	602	SELL	258,025	5,802	428	7.1	27.5	14.8	(128.4)	289.4	(46.0)	85.3	21.9	40.6	20.5	12.5	20.8	6.6	4.7	4.3	—	0.7	0.7	6.9	22.9	10.5	340	(43.5)	16.7
Sun Pharmaceuticals	2,191	REDUCE	453,738	10,202	207	65.2	90.4	87.4	(25.7)	38.6	(3.3)	33.6	24.2	25.1	26.1	18.3	17.9	5.5	4.6	4.0	0.6	0.6	0.6	17.8	21.0	17.3	1,835	(16.2)	8.8
Pharmaceuticals		Attractive	2,317,038	52,098					45.2	31.6	7.5	31.4	23.9	22.2	19.5	14.4	13.3	5.8	3.9	3.3	0.6	0.8	0.8	18.6	16.2	15.0			
Property																													
DLF	361	ADD	617,167	13,877	1,708	10.7	16.3	25.1	(60.0)	53.1	53.8	33.9	22.1	14.4	22.8	14.6	11.0	2.3	2.1	1.9	0.8	0.8	1.4	7.1	9.9	13.8	378	4.6	48.2
Housing Development & Infrastructure	254	ADD	97,750	2,198	385	12.4	14.1	16.7	(41.2)	13.8	18.3	20.5	18.0	15.2	10.3	11.7	7.3	1.4	1.2	1.1	1.1	2.0	2.0	10.0	9.2	9.9	311	2	

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Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of September 30, 2010

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